

MI-1040 Michigan Income Tax Return

2000

Issued under P.A. 281 of 1967. Filing is mandatory.

This return is due April 16, 2001. Please type or print clearly in blue or black ink.

▶ 1 PLACE LABEL HERE	Primary Filer's First Name and Middle Initial		Last Name		▶ 2	Primary Filer's Social Security Number		
	If a Joint Return, Spouse's First Name and Middle Initial		Last Name			▶ 3	Spouse's Social Security Number	
	Home Address (No., Street, P.O. Box or Rural Route)						Office Use	
	City or Town		State ZIP Code					
							▶ 4	School District Code (see p. 45)

Check this box if someone else prepares your return and you DO NOT need a book mailed to you next year (see p. 5). ☐

▶ 5. STATE CAMPAIGN FUND Check this box if you (or your spouse, if filing a joint return) want \$3 of your taxes to go to this fund. This will not increase your tax or reduce your refund. YES NO

▶ 5. a. You ☐ ☐ b. Spouse ☐ ☐

▶ 6. FARMERS, FISHERMEN OR SEAFARERS If 2/3 of your income is from farming, fishing or seafaring, check this box..... **▶ 6.** ☐

▶ 7. FILING STATUS a. ☐ Single b. ☐ Married, filing jointly c. ☐ Married, filing separately. Complete item 3 and enter your spouse's name here: _____

▶ 8. RESIDENCY a. ☐ Resident b. ☐ Nonresident c. ☐ Part-Year Resident If you check box "b" or "c," you must complete and attach Schedule NR.

9. EXEMPTIONS

If someone else can claim you and/or your spouse as a dependent, check the box, and complete the worksheet on page 12.

You	Spouse
▶ a. <input type="checkbox"/>	▶ b. <input type="checkbox"/>

d. Number of exemptions you claimed on your 2000 federal return	▶ 9d.	x \$2,900	c. <input type="text"/> .00
e. Number of individuals 65 or older who qualify for a special exemption.....	▶ 9e.	x \$1,800	<input type="text"/> .00
f. Number of individuals who qualify for the following special exemptions: deaf, blind, hemiplegic, paraplegic, quadriplegic, or totally and permanently disabled	▶ 9f.	x \$1,800	<input type="text"/> .00
g. Number of children claimed as Michigan exemptions: Ages 18 and under	▶ 9g.	x \$600	<input type="text"/> .00
h. Unemployment Compensation. Unemployment compensation must be 50% or more of AGI (amount entered on line 10).....	▶ 9h.	<input type="checkbox"/> \$1,800	<input type="text"/> .00
Add lines 9c, 9d, 9e, 9f, 9g and 9h. Enter here and on line 15			9. <input type="text"/> .00

STAPLE STATE COPY OF W-2 HERE

10. Adjusted gross income from your U.S. 1040, 1040A, 1040EZ or 1040NR (see p. 12).....	▶ 10.	<input type="text"/> .00
11. Additions (from MI-1040 Schedule 1, line 7)	▶ 11.	<input type="text"/> .00
12. Total. Add lines 10 and 11.....	12.	<input type="text"/> .00
13. Subtractions (from MI-1040 Schedule 1, line 19).....	▶ 13.	<input type="text"/> .00
14. Income subject to tax. Subtract line 13 from line 12.....	14.	<input type="text"/> .00
15. Exemption allowance. Enter the amount from line 9 or Schedule NR, line 20.....	▶ 15.	<input type="text"/> .00
16. Taxable income. Subtract line 15 from line 14.....	16.	<input type="text"/> .00
17. Tax. Multiply line 16 by 4.2% (.042).....	17.	<input type="text"/> .00

[illegible]

Credit

► 19a.

19b.

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.00

► 20a.

					.00
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20b.

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.00

► 21a.

						00
--	--	--	--	--	--	----

21b.

					.00
--	--	--	--	--	-----

▶ 22a.

22b.

--	--	--	--	--

.00

23a.

					.00
--	--	--	--	--	-----

23b.

--	--	--	--	--

.00

► 24a.

24b.

					.00
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25.

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.00

26. _____ .00

ne 18, enter "0"

27.

eet, line 3, on page 11. ...

..... ▶ 28.

					.00
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.....

29.

							.00
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▶ 30

A horizontal number line with 7 tick marks. The rightmost tick mark is labeled ".00".

▶ 31

▶ 31

..... ▶ 32

▶ 32

..... ▶ 33

▶ 33

.....

34.

							.00
--	--	--	--	--	--	--	-----

Office Use

attached ▶ a. ☐

Pay

▶ 35.

Overpaid this amount

36. 

7.

0

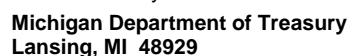
Refund

Refund

▶ 38.								00
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Date	
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Make checks payable to "State of Michigan." Print your Social Security number and the words "2000 income tax" on the front of your check. **Do not staple your check to the return.**



MICHIGAN 1040 2000

Individual Income Tax



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Filing Deadline
April 16, 2001

IN A HURRY FOR YOUR REFUND?

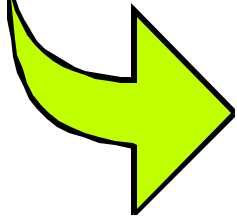
**See page 2
for details.**

Visit our Web site at
www.treasury.state.mi.us

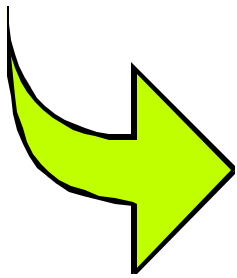


Please recycle this booklet.

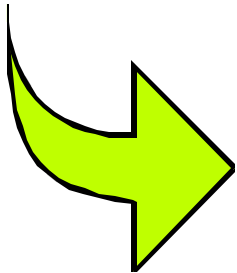
e-file your Michigan return and receive your refund in 7 days!



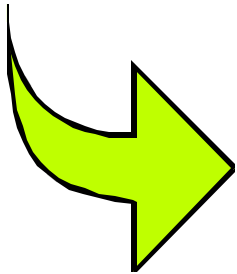
Easy → Simply ask your tax preparer to e-file both your Michigan and Federal returns. Visit our Web site to find an authorized e-file provider near you!



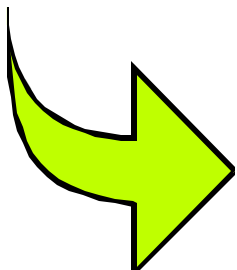
Convenient → You can e-file 24 hours a day, 7 days a week via the Internet, using a personal computer. For more information and a list of resources offering this service, visit our Web site.



Free → You may be eligible to e-file for free. Visit our Web site for information on this free service.



Remember Direct Deposit → Your refund is deposited safely into your bank account and is immediately available. Direct Deposit goes to the bank so you don't have to! See page 31.



www.efile.state.mi.us

See our Web site for more information.



INTERNET, MAIL ORDER AND OUT-OF-STATE PURCHASES

What Is Michigan's Use Tax?

Every state with a sales tax has a companion tax for purchases made outside the state. In Michigan, that tax is called the "use tax" but might be described more accurately as a remote sales tax. As a general rule, you owe this tax if you purchased merchandise and did not pay sales tax of 6 percent. Typically this happens when you purchase an item (for example, clothing, books, furniture, computers) by telephone, catalog, Internet, or in person from out-of-state businesses that do not add sales tax to your bill. While many Michigan residents are not aware of the use (remote sales) tax, it has been on the books since the 1930s.

Who Benefits From Michigan's Use Tax?

Stronger Schools: The direct beneficiary of nearly three-quarters of all sales tax and a third of all use (remote sales) tax is the state's K-12 school system.

Local and State Services: Local and state government services such as libraries, fire departments, road improvements, higher education, and public protection services are supported by sales and use taxes.

Michigan's Retailers: Collection of this tax will ensure a level playing field for Michigan businesses. Without collection of this tax, out-of-state retailers enjoy a 6 percent competitive price advantage.

Do You Owe Use Tax?

Last year, many Michigan taxpayers discovered they owed use tax on their purchases. As a result, over 62,000 taxpayers met their obligation and paid use tax on their income tax form. This provided an additional \$2 million for Michigan schools and other valuable programs and services. To determine if you owe use (remote sales) tax, see page 11 or visit our Web site at www.treasury.state.mi.us for more information.

These companies collect Michigan tax. If you order from these companies your responsibility is met.

Amway Corporation
Borders Online, Inc.
Gateway Companies, Inc.
Eddie Bauer, Inc.
JC Penney Company, Inc.
QVC Network Inc.
Walt Disney Catalog Inc.
Williams-Sonoma, Inc.
...and many more

These companies do not collect Michigan tax. If you order from these companies you need to file and pay tax. Save your receipts!

Amazon.com, Inc.
Coldwater Creek Inc.
DAMARK International, Inc.
Dell Catalog Sales, L.P.
Fingerhut Companies, Inc.
L.L. Bean, Inc.
Lands' End, Inc.
Spiegel.com
....and many more

*The above lists are intended as helpful guidelines and are **not all-inclusive**. They are examples of companies that collect the tax for you and companies that leave the burden of compliance with you.*

NEED HELP WITH YOUR TAXES?

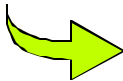
We're Ready to Answer Your Questions



**Visit Our Treasury Web Site at
www.treasury.state.mi.us**

or

Call Our Tele-Help Numbers Below



Need Help With a Specific Tax Topic?

Call 1-800-827-4000

Tele-Help is an automated system of informative recordings about income tax and property tax credit topics. This service is available 24 hours a day, seven days a week. See page 7 for Tele-Help code numbers and topics.



Need to Check on Your Refund?

Call 1-800-827-4000

Allow at least eight weeks for the processing of your 2000 refund before calling the Computerized Refund Information System (CRIS). You must have the primary filer's Social Security number and adjusted gross income or household income to get refund information. CRIS will allow you to check on your refund once every seven days. If your return is selected for review, CRIS will tell you to allow an additional eight weeks for the processing of your refund.



Need to Speak With a Department Representative?

Call 1-800-487-7000

Call this number to speak with a department representative. Staff is available from 8 a.m. to 5 p.m., Monday-Friday. During tax processing season (February-April), staff is available from 7 a.m. to 7 p.m., Monday-Friday. Staff will be available for extended hours during April. Individuals answering these toll-free lines will answer specific questions on the preparation of the income tax forms and credit forms. **Refund information is not available at this number.** Deaf, hearing or speech impaired persons using a Text Telephone for the Deaf (TTY) can call 517-373-9419 for assistance. Have copies of your return and schedules available when you call; you may need to refer to them.

IMPORTANT NEWS FOR 2000

Reduction in Tax Rate

The income tax rate has been reduced from 4.4 percent in 1999 to 4.2 percent in 2000.

Increase in Personal and Special Exemption Allowances

There are several changes for 2000.

- The personal exemption allowance is \$2,900.
- The exemption allowance for individuals claimed as a dependent on another person's return is \$1,500.
- The special exemption allowance is \$1,800. A special exemption allowance can be claimed for you, your spouse (if filing jointly), and your dependents. However, if a dependent of the taxpayer files an annual return, the taxpayer and the dependent cannot both claim the special exemption for the dependent. See page 12 for more information.
- The child care deduction is \$600 for each child 18 and younger.

Increase in Pension and Interest Deduction

For tax year 2000, pension benefits included in adjusted gross income (AGI) from a private pension system or an IRA are deductible to a maximum of \$34,920 for a single filer, or \$69,840 for joint filers. Senior citizens age 65 or older may deduct part of their interest, dividends and capital gains that are included in AGI. For 2000, the deduction is limited to a maximum of \$7,785 for single filers and \$15,570 for joint filers.

New Michigan Education Savings Program (MESP)

For tax years that begin after December 31, 1999, deduct, to the extent not deducted in determining adjusted gross income, the following:

- The total of all contributions made on and after October 1, 2000 by the taxpayer in the tax year to accounts established through the MESP. The deduction may not exceed \$5,000 for single filers or \$10,000 for joint filers per tax year. A deduction is not allowed for contributions to an education savings account if a withdrawal has been made from that account in the current or any previous tax year.
- The amount of a distribution from individual retirement accounts that qualify under section 408 of the internal revenue code if the distribution is

used to pay qualified higher education expenses as defined in the Michigan Education Savings Program Act.

During fiscal year 2000-2001 (October 1, 2000 - September 30, 2001), the funds appropriated for the MESP shall be used to provide \$1.00 of matching funds for each \$3.00 of individual contributions up to a maximum state match for each beneficiary of \$200. The state match only applies to dollars invested on behalf of each child named as a designated beneficiary who is 6 years old or less, who is a Michigan resident, and whose family's annual income is \$80,000 or less.

New Deduction for Holocaust Victim Payments

A taxpayer who is a Holocaust victim may deduct, to the extent included in adjusted gross income, any amount, including interest received in the tax year as a result of a settlement of claims for recovered assets pursuant to the German act regulating unresolved property claims. See Public Act 181 of 1999.

Property Tax Credits/Refunds Expanded

Beginning with tax year 2000, claimants who are totally and permanently disabled, blind or deaf are entitled to use the same method for calculating their homestead property tax credit as persons who are senior citizens, paraplegic, hemiplegic, or quadriplegic. See page 21 for more information.

A reminder from the IRS

Michigan homestead property tax credit and homestead exemption refunds received in 2000 may be taxable on your 2000 U.S. 1040. If you claimed an itemized deduction for property taxes on your 1999 U.S. 1040 and then received a refund in 2000 from the state or your local unit of government for a portion of those taxes, you must include that refund as income on your 2000 U.S. 1040. If you have questions about the taxability (for federal tax purposes) of the refunds call the IRS at 1-800-829-1040.

Good News! Children's Trust Fund and Nongame Fish and Wildlife Fund Now Fully Funded

The Children's Trust Fund and the Nongame Fish and Wildlife Fund are now fully funded under Public Act 291 of 2000. Therefore, effective for the 2000 tax year, the check-off boxes have been removed from the MI-1040. See page 43 for information about these programs.

Use Tax

You may pay use tax that you owe for the 2000 tax year on your 2000 MI-1040, line 28. See page 11 for more information on use tax.

Where to Get Forms

- **Internet:** Forms are available on our Web site at: www.treasury.state.mi.us
- **Fax:** Dial **517-241-8730** from a fax phone to have 2000 Michigan tax forms sent to your fax machine 24 hours a day.
- **Phone:** Call **1-800-FORM-2-ME (367-6263)**. This toll-free line is available 24 hours a day.
- **Public Offices:** Forms are available at all Treasury offices listed on page 7. Commonly used forms are also available at most Michigan Secretary of State offices, post offices, financial institutions, and libraries.



A Note About Debts

Michigan law requires that any money owed to the state and other agencies be deducted from your refund or credit before it is issued. This includes money owed for past due taxes, school loans, child support due the Friend of the Court, an IRS levy, money due a state agency, a court ordered garnishment or other court orders. Taxpayers who are married, filing jointly, may receive a computer generated *Income Allocation to Non-Obligated Spouse C-4297*, after the return is filed. Completing and filing this form may limit the portion of the refund that can be applied to a liability. If Treasury applies all or part of your refund to any of these debts, you will receive a letter of explanation.

When You Have Finished

Sign your return

Review your return and if applicable, attached credit forms. Make sure that your name(s), social security number(s) and address are on the form.

Your tax preparer (if you used one) must sign the claim and include, if applicable, the name and address of the organization he or she represents, and preparer tax identification or federal employer identification number. Check the box to indicate if Treasury may discuss your claim with your preparer.

Keep a copy of this form and all supporting documents for six years.



Attachments

Assemble your returns and attachments and staple in the upper left corner. A sequence number is printed in the upper right corner of the following forms to help you assemble them in the correct order behind your MI-1040 form.

- MI-1040 Schedule 1
- Direct Deposit of Refund (3174)
- Nonresident and part-year resident (Schedule NR)
- Farmland credit (MI-1040CR-5)
- Property tax credit (MI-1040CR or MI-1040CR-2)
- College tuition credit (Schedule CT)
- Federal schedules (see Table 1, page 8)
- Schedule of Apportionment (MI-1040H)

If you are also filing a home heating credit (MI-1040CR-7) or prescription drug credit (MI-1040CR-9) **do not** staple it to your return; fold it and leave it loose in the envelope.

Mailing Labels

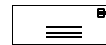
Review the label on the back cover of this book. If your name and address are correct, place the label on the first page of your tax return. If the information on your label is not correct do not use the label. Enter the correct information on your return.

If you do not need a tax booklet next year, check the box near the top of your 2000 *Michigan Income Tax Return* (form MI-1040).

Where to Mail Your Return

Mail refund, credit, or zero due returns to:

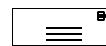
Michigan Department of Treasury
Lansing, MI 48956



To receive your 2000 refund faster, mail your 2000 return in a separate envelope. If you mail your 2000 return in the same envelope with a return for years prior to 2000, your 2000 refund will be delayed.

If you owe tax, mail your return to:

Michigan Department of Treasury
Lansing, MI 48929



Make checks payable to "State of Michigan" and print your Social Security number and the words "2000 income tax" on the front of your check. Do not staple your check to your return.

MICHIGAN TELE-HELP SYSTEM

Tax Information at Your Fingertips!



Dial 1-800-827-4000

Tele-Help is an automated system of informative recordings about income tax and tax credit topics. Call 1-800-827-4000 anytime and listen for the Tele-Help instructions. This number operates 24 hours every day.

Tele-Help code numbers and topics

General Income Tax Information

- 111 Where to go for help
- 121 To get a copy of your return
- 131 Refund offsets
- 141 Who must file an income tax return and how to file
- 151 Other:
 - Deceased taxpayers
 - Residency
 - Requirements for dependents, minors and students
- 161 Repayments of income reported in a prior year (Claim of Right)
- 171 Electronic filing
- 181 Home electronic filing
- 192 Direct deposit

MI-1040

- 201 Use tax
- 211 Amended returns - form MI-1040X
- 212 Prior year returns
- 221 Estimated tax payments
- 231 Additions and subtractions from income
- 232 Michigan Education Savings Program
- 241 Capital gains and losses
- 251 Public Contributions Credit
- 261 Community Foundations Credit
- 262 Historic Preservation Tax Credit
- 271 Other:
 - Deferred compensation
 - Tax status of U.S. obligations
 - Extensions
 - Distributions from IRAs
 - Contributions to IRAs
- 281 Homeless Shelter/Food Bank Credit
- 292 College Tuition and Fees Credit
- 293 Renaissance Zones

Credit Information

- 311 Homestead Property Tax Credit
- 321 List of special situations for property tax credits
- 331 Home Heating Credit
- 341 Senior Citizen Prescription Drug Credit
- 351 Difference between household income and adjusted gross income
- 361 Farmland Preservation Credit

Miscellaneous Information

- 411 Homestead Exemption Affidavits

Treasury Offices

Forms are available at all Treasury offices listed below. (Treasury office staff do not prepare tax returns.)

Main Office:

LANSING, 48922
Treasury Building
430 W. Allegan St.
1-800-827-4000 (refunds)
1-800-487-7000 (information)

Other Offices:

DETROIT, 48226
State of Michigan Plaza Building
1200 6th St., 2nd Floor, N. Tower

ESCANABA, 49829
State Office Building, Room 7
305 Ludington St.
(open 8 - 12 only)

FLINT, 48502
State Office Building, 7th Floor
125 E. Union St.

GRAND RAPIDS, 49503
State Office Building, 3rd Floor
350 Ottawa St., NW

MARQUETTE, 49855
1055 W. Baraga
(open for forms only)

SAGINAW, 48607
State Office Building, 1st Floor
411-I E. Genesee St.
(open for forms only)

STERLING HEIGHTS, 48314
41300 Dequindre, Suite 200

TRAVERSE CITY, 49684
701 S. Elmwood Ave., Box 14
(open 8 - 12 only)

**Deaf, hearing or speech
impaired persons may call
517-373-9419 (TTY).**

Information for All Income Tax Filers

This booklet is intended as a guide to help you complete your return; it does not take the place of the law.

The index for this booklet is inside the back cover.

Always complete your federal tax return before your Michigan return. You may need to file a Michigan return even if you do not need to file a federal return. You should keep a copy of your return and all supporting schedules for six years.

ADJUSTED GROSS INCOME (AGI)

Throughout this book, we refer to adjusted gross income as AGI. Copy your AGI directly from your U.S. 1040 line 33, U.S. 1040A line 19.

WHO MUST FILE A RETURN

File a return if you owe tax, are due a refund or your AGI exceeds your exemption allowance. You should also file a Michigan return if you file a federal return, even if you do not owe Michigan tax. This will eliminate unnecessary correspondence from Treasury. See page 9 for nonresident and part-year resident information.

If your parents (or someone else) can claim you as a dependent on their return and your AGI is \$1,500 or less if single, or \$3,000 or less if married filing jointly, you do not need to file a return unless you are claiming a refund of withholding. If single, and your AGI is over \$1,500; or if married filing jointly, and your AGI is over \$3,000, you must file a return. See instructions on page 12.

Important: If your income subject to tax (line 14) is less than your personal exemption allowance (line 15) and Michigan income tax was withheld from your earnings, you must file a return to claim a refund of the tax withheld.

WHO MUST FILE A JOINT RETURN

File a joint Michigan return if you filed a joint federal return. If you filed separate federal returns, you may file separate or joint Michigan returns. You may file a joint return only with your spouse, not with a parent, sibling or other relative.

Note: You may file as "single" only if you are widowed, not married, divorced or separated under court order.

TAX CREDITS

A tax credit may reduce your tax or increase your refund. Be sure to claim all the credits for which you qualify. You may be able to claim credits for each of the following:

- City income tax (page 13)
- Contributions made to some public institutions (page 13)
- Contributions made to certified community foundations (page 13)
- Cash contributions to homeless shelters/food banks (pages 13-14)
- Income tax paid to government units outside Michigan (page 14)
- Historic Preservation Tax Credit (page 14)
- College tuition and fees (page 14)
- Homestead property taxes and/or rent paid (page 17)
- Farmland preservation (use form MI-1040CR-5).

ROUNDING DOLLAR AMOUNTS

Round down amounts less than 50 cents. Round up amounts of 50 through 99 cents. Do not enter cents.

WHEN TO FILE YOUR RETURN

Your return must be postmarked no later than April 16, 2001. Payment must be included with your return.

Make your check payable to "State of Michigan" and be sure to write your Social Security number(s) and the words "2000 income tax" on the front of the check. You will be charged penalty and interest on tax not paid by April 16, 2001.

If you cannot file before the due date and you owe tax, you may file an *Application for Extension of Time to File Michigan Tax Returns* with your payment. See page 9.

PENALTY AND INTEREST ADDED FOR FILING OR PAYING LATE

If you file or pay late, Treasury will add a penalty of 5 percent of the tax due every month until you file and pay. Maximum late penalty is 50 percent of the balance of tax due. Minimum late penalty is \$10 for the first month. If you pay late, you must add penalty and interest to the amount due. The interest rate through June 30, 2001 is 10.4 percent. For interest rates after June 30, 2001, call 1-800-487-7000.

TABLE 1
Attach These Federal Schedules

Taxpayers who file any of the following schedules or forms with their federal return must attach a copy to their Michigan income tax return:

Schedule B	Interest and Dividend Income (if over \$5,000)
Schedule C or C-EZ	Profit or Loss From Business
Schedules D & 4797	Capital and Ordinary Gains and Losses
Schedule E	Supplemental Income and Loss
Schedule F	Farm Income and Expenses
Form 2555	Foreign Earned Income
Form 3903 or 3903-F	Moving Expenses
Form 6198	Computation of Deductible Loss From Activity Described in IRC Section 465(c)
Form 8829	Expenses for Business Use of Your Home
Schedule R or 1040A, Schedule 3	Credit for the Elderly or Totally and Permanently Disabled
Form 4868	Application for Automatic Extension of Time to File U.S. Individual Income Tax Returns

Make sure the above schedules and forms report the location of the business activity or the location of any real property involved. Schedules showing rental of personal property must report where the property is being used. If you do not attach these schedules, processing of your return may be delayed.

Information About Special Situations

EXTENSIONS

To request more time to file your Michigan tax return, send a payment of your estimated annual liability to Treasury with a copy of your approved federal extension (U.S. 4868) on or before the original due date of your return. Treasury will extend the due date to your new federal due date. If you do not have a federal extension, file an *Application for Extension of Time to File Michigan Tax Returns* (form 4) with your payment. Treasury will not notify you of approval. Do not file an extension if you will be claiming a refund.

An extension of time to file is not an extension of time to pay. If you underestimate the tax due and do not pay enough with your extension request, you must pay interest on the unpaid amount. Compute interest from the due date of the annual return. Interest is 1 percent above the prime rate and is adjusted on July 1 and January 1.

You may be subject to a penalty of 10 percent or more if the balance due is not paid with your extension request. When you file your MI-1040 return, include on line 33 the amount of tax you paid with your extension request. Attach a copy of your federal or state extension to your return.

2001 ESTIMATE PAYMENTS

Usually, you must make estimated income tax payments if you expect to owe more than \$500 when you file your 2001 MI-1040. This is after crediting your property tax and farmland preservation credits and amounts you paid through withholding.

Common income sources which make estimate payments necessary are:

- Self-employment income
- Salary and wages if you do not have enough tax withheld
- Tips
- Lump sum payments
- Unemployment benefits
- Dividend and interest income
- Income from the sale of property (capital gains)
- Rental income.

You may ask your employer to increase your withholding to cover the taxes on other types of income.

Estimated payments are due April 16, 2001; June 15, 2001; September 17, 2001 and January 15, 2002.

If you are a fiscal-year filer, the due dates are the same as your federal estimated payment due dates.

If you filed estimates for 2000, Treasury will send you personalized forms for 2001. Otherwise, request form MI-1040ES (see page 6).

Exceptions: If you owe more than \$500 you may not have to make estimate payments if you expect your 2001 withholding and credits to be at least:

- 90 percent of your total 2001 tax, **OR**
- 100 percent of your total 2000 tax. Total 2000 tax is the amount on 2000 form MI-1040, line 27, less the amount on lines 30, 31 and 32.

Note: Estimates for taxpayers with incomes of \$150,000 or more for joint filers (\$75,000 or more for single filers), must equal 90 percent of the current year's liability or 108 percent of the previous year's liability.

Farmers, fishermen or seafarers may have to pay estimates, but have different filing options. If at least two-thirds of your gross income is from farming, fishing or seafaring, you may:

- Delay paying your first 2001 quarterly installment (with form MI-1040ES) until as late as January 15, 2002 and pay the entire amount of your 2001 estimated tax due, **OR**
- File your 2001 MI-1040 return and pay the entire amount of tax due on or before March 1, 2002.

You are considered a farmer or fisherman if you file U.S. *Schedule F* or *Schedule C*. Wages earned as a farm employee or from a corporate farm do not qualify you for this exception. You are considered a seafarer if you meet the criteria for wages that cannot be withheld for taxes in Title 46, Shipping, USC, Sec. 11108.

RESIDENCY

Resident. You are a Michigan resident if Michigan is your permanent home. Your permanent home is the place you intend to return to whenever you go away. A temporary absence from Michigan, such as spending the winter in a southern state, does not make you a part-year resident.

Income earned by a Michigan resident in a nonreciprocal (See "Reciprocal States" on page 10) state or Canadian province is taxed by Michigan, and

may also be taxed by the other jurisdiction. If you pay tax to both, you can claim a credit on your Michigan return. See instructions for line 23 and the example on page 14.

Part-year resident. You are a part-year resident if, during the year, you move your permanent home into or out of Michigan. You must pay Michigan income tax on income you earned, received or accrued while living in Michigan.

Use Schedule NR and the following guidelines to help you figure your tax:

- Allocate your income from the date you moved into or out of Michigan.
- Bonus pay, severance pay, deferred income and any other amount accrued while a Michigan resident are subject to Michigan tax no matter where you lived when you received it.
- Deferred compensation and dividend and interest income are allocated to the state of residence when received.
- Part-year residents who lived in Michigan at least six months of the tax year may qualify for a homestead property tax credit. See information on page 17.

Nonresident. Use Schedule NR to figure your Michigan taxable income. You must pay Michigan income tax on the following types of income:

- Salary, wages and other employee compensation for work performed in Michigan, unless you live in a state covered by a reciprocal agreement (see page 10).
- Net rents and royalties from real tangible personal property in Michigan.
- Capital gains from the sale or exchange of real property located in Michigan, or of tangible personal property located in Michigan.
- Patent or copyright royalties if the patent or copyright is used in Michigan or if you have a commercial domicile in Michigan.
- Income (including dividend and interest income) from an S corporation, partnership or an unincorporated business or other business activity in Michigan.

RECIPROCAL STATES

ILLINOIS, INDIANA, KENTUCKY, MINNESOTA, OHIO and WISCONSIN have reciprocal agreements with Michigan that exempt nonresidents from income taxes imposed by each state on salaries, wages and other employee compensation. Michigan residents pay only Michigan income tax on their salaries and wages earned in any of these states. A Michigan resident can file a withholding form with an employer in a reciprocal state to claim exemption from that state's income tax withholding. The out-of-state income might make Michigan income tax estimate payments necessary. Some employers in reciprocal states will withhold Michigan income tax from salaries and wages they pay to Michigan residents. Residents of reciprocal states working in Michigan do not have to pay Michigan tax on salaries or wages earned in Michigan but do have to pay Michigan tax on business income derived from business activity in Michigan. A resident of a reciprocal state who claims a refund of Michigan withholding tax must file a *Michigan Nonresident and Part-Year Resident Schedule* (Schedule NR).

DECEASED TAXPAYERS

The estate of a taxpayer who died in 2000 (or 2001 before filing a 2000 return) must file if the taxpayer owes tax or is due a refund. A full-year exemption is allowed for a deceased taxpayer on the 2000 MI-1040 or MI-1040EZ. The surviving spouse or the personal representative may file the return.

The surviving spouse may file a joint return for 2000. Write your name and the decedent's name and both Social Security numbers on the MI-1040. Write "deceased" or "DECD" after the decedent's name. You must report the decedent's income. Sign the return. In the decedent's signature block, write "Filing as surviving spouse" and the decedent's date of death.

If you filed your federal returns as "married filing separately," you may file your Michigan returns the same way.

If, as a personal representative, you are claiming a refund for the decedent, you must attach a *Statement of Person Claiming a Refund Due a Deceased Taxpayer* (U.S. 1310) or Michigan *Claim for Refund Due a Deceased Taxpayer* (MI-1310). Enter on line 1 of the decedent's return the decedent's name and your name in the following order:

John Brown, Estate of
Jane Brown, Rep.

Use the decedent's Social Security number and your address. Enter the date of death in the signature block.

See the "Deceased Claimant" instructions (on page 20) for information about filing a credit claim for a deceased taxpayer.

AMENDED RETURNS

If you made a mistake on a return previously filed, correct it by filing an *Amended Michigan Individual Income Tax Return* (MI-1040X). If your amended return computes to a refund, you must file it within four years of the due date of your original return.

If a change on your federal return affects Michigan taxable income, you must file an MI-1040X with Michigan Department of Treasury within 120 days of the change. Include payment of any tax and interest due. If you have overpaid, use this form to request a refund.

You can also amend a homestead property tax credit or farmland preservation credit claim by filing a revised claim form clearly marked "amended." Attach a completed MI-1040X to the front of the amended credit form.

NET OPERATING LOSSES

The computation of a Michigan net operating loss (MNOL) and a Michigan net operating loss deduction (MNOLD) were revised in 1999. The deduction for a carryback or carryforward of a net operating loss is no longer limited to federal modified taxable income (FMTI).

The FMTI limitation for household income, however, is still in effect.

If you have a federal net operating loss deduction, you must add back the federal deduction on your MI-1040

Schedule 1, line 6, to the extent included in federal adjusted gross income. Compute your MNOL and MNOLD by completing an *Application for Michigan Net Operating Loss Refund* (form MI-1045). To claim a refund for a carryback deduction, you must file an MI-1045. Returns for tax years affected by carryforward deductions must have form MI-1045 attached to substantiate the deduction.

REPAYMENTS OF INCOME REPORTED IN A PRIOR YEAR

If you had to repay an amount of money in 2000 which you claimed as income in a previous year because you thought you had an unrestricted right to it (e.g., unemployment benefits), you may be entitled to a credit on your 2000 return for the tax paid in an earlier year.

If the repayment was deducted in arriving at AGI, no additional credit is allowed on the Michigan return because your income for the year was already reduced by the repayment amount. If the amount of the repayment was deducted on U.S. *Schedule A* or a credit was claimed on U.S. 1040, line 64, a credit will be allowed on the Michigan return.

To compute your Michigan credit, multiply the amount you repaid in 2000 by the tax rate which was in effect the year you paid the tax. Then add the amount of the credit to the Michigan tax withheld on your MI-1040, line 32. Write the words "Claim of Right/Repayment" next to line 32.

Attach a schedule showing the computation of the Michigan credit, proof of the repayment, and the portion of your federal return showing the deduction or credit claimed under the "Claim of Right" to your MI-1040.

Use Tax

If you have fulfilled your tax obligation for out-of-state purchases, check Box “a” on your 2000 MI-1040, line 28. If you are unsure, read the following.

Every state with a sales tax has a companion tax for purchases made outside the state. In Michigan, that tax is called the “use tax” but might be described more accurately as a remote sales tax because it is a 6 percent tax owed on sales made remotely (i.e., outside of Michigan). While many Michigan residents are not aware of the use (remote sales) tax, it has been on the books since the 1930s.

The law says that you owe this tax on purchases for “storage, use or consumption in Michigan of tangible personal property” from companies that do not collect Michigan sales or use tax. This includes mail order and Internet purchases as well as purchases while traveling in foreign countries and other states. You do not have to pay Michigan use (remote sales) tax if:

- Michigan sales or use tax was paid to the seller, or
- The seller charged another state’s sales tax (including local sales taxes) of at least 6 percent on purchases made while traveling in that state, or
- Purchases made outside Michigan in a calendar month did not exceed \$10. If total purchases for the month exceed \$10, then all purchases are subject to tax.

Use tax must be paid on the total price (including shipping and handling charges) of all taxable items purchased from out-of-state retailers who do not collect Michigan tax.

Items that are taxable. These items are taxable only if you have not already paid a tax of at least 6 percent. Examples of purchases subject to use (remote sales) tax include:

- Out-of-state catalog, Internet or mail order purchases (sporting goods, clothing, furniture, etc.).
- Purchases made outside of Michigan (appliances, electronic equipment, furs, furniture, etc.).

- Vacation/travel purchases (jewelry, artwork, etc.), you purchase in another state or foreign country and have shipped to you in Michigan).

You do not have to pay use tax on grocery food items, prescription drugs or vitamins and most magazine subscriptions.

Businesses that collect use tax. An out-of-state business that does not have a store, warehouse or employees in Michigan does not have to register and collect Michigan use tax. However, many out-of-state businesses voluntarily collect use tax for their customers. Michigan tax must be itemized separately on the out-of-state seller’s invoice.

How To Pay Use Tax

You may pay use tax on your MI-1040. Using the Worksheet Calculation below, check the box on line 28 that applies to your situation and enter the amount of tax due, if any, on line 28.

WORKSHEET CALCULATION

Line 1: For purchases under \$1,000, if you know the amount multiply your total purchases times 6 percent (.06) and enter the amount on Line 1.

OR, for purchases under \$1,000, if you have incomplete or inaccurate receipts to calculate your purchases, you may use the Use Tax Table below to estimate your taxes. (See the example.)

Line 1 should contain a number unless you made no purchases under \$1,000 subject to the use tax.

Line 2: In all cases, if a single purchase exceeds \$1,000, you must pay 6 percent use tax on those purchases using Line 2. (See the example.)

Line 3: Total Use Tax due (total of Line 1 and Line 2).

Worksheet

Line 1: Itemized purchases under \$1,000 x 6 percent (.06) **OR**
Use Tax Table amount: \$_____

Line 2: Single purchases each over \$1,000 x 6 percent (.06): \$_____

Line 3:
Total Use Tax Due: \$_____
(Total of Line 1 and Line 2)

Enter amount from Line 3 above on your 2000 MI-1040, line 28, and check **Box “b.”**

Example: Kurt ordered a computer from a catalog retailer in New York for \$1,437.50. Kurt also purchased items over the Internet for less than \$1,000 during the year, but lost his receipts. He is sure he did not pay Michigan sales tax. Kurt’s adjusted gross income (AGI) is \$46,500. Kurt would complete the Worksheet as follows:

Line 1: Kurt selects \$23 from the table based on his AGI \$23.00

Line 2: Kurt enters
\$1,437.50 x 6 percent \$86.25

Line 3: Total use tax due \$109.25

Kurt would enter \$109 (no cents) on his 2000 MI-1040, line 28, and check **Box “b.”**

For more examples see our Web site at: www.treasury.state.mi.us/faqs/faquse.htm

Please note that using the Use Tax Table to estimate your taxes does not preclude the Michigan Department of Treasury from auditing your account. If it is determined that additional tax is due, you may receive an assessment for the amount of the tax owed, plus applicable penalty and interest.

Use Tax Table

“Remote Sales”

Adjusted Gross Income*	Tax
\$0-\$10,000	\$3
\$10,001-\$20,000	\$8
\$20,001-\$30,000	\$13
\$30,001-\$40,000	\$18
\$40,001-\$50,000	\$23
\$50,001-\$75,000	\$31
\$75,001-\$100,000	\$44
Above \$100,000	Multiply AGI by 0.05% (.0005)

* Adjusted Gross Income from MI-1040, line 10, or MI-1040EZ, line 7

Line-by-Line Instructions for Form MI-1040

Lines not listed are explained on the form.

Line 1: Only married filers may file joint returns.

Lines 2 & 3: Write your Social Security number(s) here even if using your label.

Check the box below your address if someone else prepares your return and you **DO NOT** need a book mailed to you next year.

Line 5: State Campaign Fund. These funds are disbursed only to candidates for governor regardless of political party who agree to limit campaign spending and meet the campaign fund requirements. Choosing "yes" will **not** raise your tax or reduce your refund.

Line 6: Only farmers, fishermen and seafarers should check this box (see page 9 for estimate filing information).

Line 7: Filing Status. Check the box to identify your filing status. If you file a joint federal return, you must file a joint Michigan return. Married couples who file separate federal returns may file a separate or joint Michigan return. If you are also claiming a homestead property tax credit or other tax credits, it may be easier to file a joint Michigan return because total (joint) household income is the basis for computing these credits. If your status is married, filing separately (box c), write your spouse's full name in the space provided and be sure you write his or her Social security number on line 3.

Line 8: Residency. Check the box that describes your Michigan residency for 2000. If you and your spouse had a different residency status during the year, check a box for each of you. Both part-year residents and nonresidents must file Schedule NR. If you were a part-year resident, list the dates you were a Michigan resident and complete Schedule NR. (For definition of residency, see page 9.)

Line 9: Exemptions. Use this line to compute the exemption amount for your allowable federal exemptions plus your Michigan special exemptions.

a and b) If your parents (or someone else) can claim you as a dependent on their return, check the box and complete the worksheet below.

d) Enter the number of exemptions you claimed on your U.S. 1040 or 1040A, line 6d. These exemptions are for you, your spouse (if filing joint) and your dependents.

Multiply the number of exemptions by your exemption allowance of \$2,900 and enter that amount in the box.

Special exemptions. Complete only the items that apply to you, your spouse or dependents as of December 31, 2000. If the dependent of the taxpayer files an annual return, both the dependent and the taxpayer may not claim the additional exemption.

e) Age 65 or older. You are considered age 65 the day before your 65th birthday. If you claim this exemption, you may **not** claim an exemption as totally and permanently disabled.

f) Deaf. You qualify for this exemption if the primary way you receive messages is through a sense other than hearing, for example, lip reading or sign language.

Disabled or blind. You qualify for this exemption if you are blind, hemiplegic, paraplegic, quadriplegic or totally and permanently disabled. Blind means your better eye permanently has 20/200 vision or less with corrective lenses, or your peripheral field of vision is 20 degrees or less. Totally and permanently disabled means disabled as defined under Social Security Guidelines 42 USC 416. If you are age 65 or older, you may **not** claim an exemption as totally and permanently disabled.

g) Child Care Deduction. You may deduct \$600 for each child 18 and under as of December 31, 2000, whom you claim as an exemption.

h) Unemployment compensation. Check this box if 50 percent or more of your combined AGI (MI-1040, line 10) is from unemployment compensation. If you checked the box, enter \$1,800 in the space provided.

Line 10: Adjusted Gross Income (AGI). Enter your AGI from your federal return. This is the amount from your U.S. 1040, line 33; U.S. 1040A, line 19. You must attach copies of federal schedules that apply to you as explained in Table 1 on page 8. For Michigan adjustments to Federal AGI see form MI-1040 Schedule 1, page 27. Instructions for completing Schedule 1 begin on page 15.

Line 17: Tax. Multiply the amount on line 16 by 4.2 percent (.042). Enter here and on line 18.

Worksheet for Filers Eligible to be Claimed as a Dependent on Someone Else's Return (for line 9c).

Is your adjusted gross income (the amount on line 10) over \$1,500 if single, or over \$3,000 if married filing jointly?

☐ YES. If single, enter "0" on line 9d and \$1,500 on line 9c.

☐ YES. If married and both you and your spouse can be claimed as dependents, enter "0" on line 9d and \$3,000 on line 9c.

☐ YES. If married and only one of you can be claimed as a dependent, enter "1" on line 9d, \$2,900 on line 9d, and \$1,500 on line 9c.

☐ No, then was Michigan income tax withheld from your wages?

☐ YES. Enter "0" on lines 9 and 27, and complete line 10 and lines 28 through 38 of this form.

☐ NO. You do not need to file this return.

Fiscal-Year Taxpayers (those with a tax year other than the calendar year), use the rate listed below. Attach a statement to your MI-1040 return indicating your fiscal year dates.

<u>Year Ending Date</u>	<u>Rate</u>
January 31, 2000	4.38%
February 28, 2000	4.37%
March 31, 2000	4.35%
April 30, 2000	4.33%
May 31, 2000	4.32%
June 30, 2000	4.30%
July 31, 2000	4.28%
August 31, 2000	4.27%
September 30, 2000	4.25%
October 31, 2000	4.23%
November 30, 2000	4.22%

Line 19: City Income Tax Credit.

Everyone subject to Michigan income tax is allowed partial credit for income tax paid to Michigan cities. Use Table 2 below to compute the credit. Net city income tax paid in 2000 is the total of:

- City income tax withheld from wages in 2000 as reported on your W-2;
- Amount of tax paid with a Michigan city income tax return filed in 2000 (do not include penalty and interest);
- Estimated city income tax payments paid in 2000;
- Less any city income tax refund received in 2000.

19a: Enter your net city income tax paid in 2000.

19b: Enter your city income tax credit from Table 2.

Note: Treasury may request receipts for any credit claimed on lines 20, 21 and 22. Cancelled checks are not sufficient documentation.

Line 20: Public Contribution

Credit. A partial income tax credit is allowed when you donate to a qualifying Michigan public institution. The credit is based on cash donated or the value of the item(s) donated. Values claimed must be supported by written appraisals, trade journals, etc., or by an itemized receipt.

Gifts qualify for credit if given to:

- Michigan colleges or universities and their fund raising organizations

- The Michigan Colleges Foundation
- The State Art in Public Places Fund
- The State of Michigan Museum
- Michigan public libraries
- Michigan public broadcasting stations
- A Michigan municipality or a nonprofit corporation affiliated with a Michigan municipality and an art institute in that municipality to benefit the art institute (art institutes are those whose primary function is the displaying and teaching of visual arts)
- The State of Michigan for the preservation of state archives

Artwork created by the taxpayer also qualifies for credit if given to:

- The State of Michigan for display in a public place
- A Michigan municipality for public display

Artwork is an original visual creation of quality in any size or shape, in any media, using any materials. Its fair market value must be determined by an independent appraiser when donated.

20a: Enter the total amount of public contributions.

20b: Enter the allowable credit which is the **smaller** of:

- 50 percent of the contribution reported on line 20a, or
- \$100 (\$200 for a joint return).

Line 21: Community Foundations

Credit. A partial income tax credit is allowed when you donate to an endowment fund of one of the certified community foundations or component funds listed on page 44. Enter the code number in the box on line 21. You must enter the proper code to receive credit.

21a: Enter the total contribution amount.

21b: Enter the allowable credit which is the **smaller** of:

- 50 percent of the contribution reported on line 21a, or
- \$100 (\$200 for a joint return).

Line 22: Homeless Shelter/Food

Bank Credit. A partial income tax credit is allowed when a **donation** is made by cash or check to a qualifying shelter for homeless persons, a food bank, a food kitchen, or other entity whose **primary** purpose is to provide overnight accommodation, food, or

TABLE 2: CITY INCOME TAX CREDIT WORKSHEET			
To Determine Net City Income Tax			
Step 1	Add:		
	• City income tax withheld from wages in 2000 (as shown in box 21 on your W-2s).....		.00
	• Amount of tax paid with a Michigan city income tax return filed in 2000 (do <u>not</u> include penalty and interest).....	+	.00
	• Estimated city income tax payments paid in 2000.....	+	.00
		Subtotal	.00
Step 2	Subtract:		
	• Any city income tax refunds received in 2000	-	.00
	Total net city income tax paid. Carry to line 19a	=	.00
To Determine Your City Income Tax Credit			
If Your Total Net City Income Tax Paid (MI-1040, line 19a) is :			
	\$100 or less	\$101 through \$150	\$151 or more
Step 2	Net city income tax paid.....	Net city income tax paid.....	Net city income tax paid.....
	.00	.00	.00
	x .20	Subtract..... - \$100.00	Subtract..... - \$150.00
	CREDIT. Carry to line 19b.....	.00	.00
		Multiply..... x .10	Multiply..... x .05
		.00	.00
		Add..... + 20.00	Add..... + 25.00
	Credit cannot be more than \$10,000.00	CREDIT. Carry to line 19b.....	CREDIT. Carry to line 19b.....
	.00	.00	.00

meals to indigent persons. Donations to organizations such as secondhand stores and churches, which provide other services or shelter and food as a secondary purpose do not qualify for this credit.

Contributions qualifying for this credit must be all of the following:

- Cash or check;
- Made to organizations located in **Michigan** whose **primary** purpose is to provide food and/or shelter to indigent persons; and
- Deductible as a charitable contribution under the Internal Revenue Code (IRC).

22a: Enter the total amount of cash contributions.

22b: Enter the credit which is the **smaller** of:

- 50 percent of the contribution reported on line 22a, or
- \$100 (\$200 for a joint return).

Note: Contributions designated for a “qualifying organization” (community foundation, homeless shelter, or food bank) and made through United Way also qualify for this credit. If the credit is for a community foundation be sure to enter the appropriate two-digit code number on your MI-1040 (see page 44).

Line 23: Credit for Income Tax Imposed by Government Units Outside Michigan. Include the amount of income tax paid to:

- A nonreciprocal state (see page 10)
- A local government unit outside Michigan, including tax paid to local units located in reciprocal states
- The District of Columbia
- A Canadian province.

Include only income tax paid to another government unit(s) on income earned while you were a Michigan resident and taxed by Michigan.

Be sure to attach a copy of the return filed with the other government unit(s) to your MI-1040.

Do not include taxes paid on income you subtracted on lines 8-18 of MI-1040 Schedule 1 (i.e., rental or business income from another state, part-year resident wages, etc.). If you claim credit for Canadian provincial tax, you must file a *Resident Credit for Tax Imposed by a Canadian Province* (form C-4402RC). Attach copies of

your *Canadian Federal Individual Tax Return* (form T-1), Canadian form T-4, *Computation of Foreign Tax Credit* (U.S. 1116) and U.S. 1040. Your credit is limited to the portion of your Canadian provincial tax not used as a credit on your U.S. 1040.

23a: Enter the total income tax paid to other government units. Attach a schedule showing the tax paid to each government unit, if you paid tax to more than one source.

23b: Credit amount. If more than one government unit is involved, compute the credit amount for each government unit separately. Then add the individual credit amounts and enter the total on line 23b. Figure your allowable credit as follows:

- Divide your non-Michigan income subject to tax by both states by your total income subject to Michigan tax (line 14); then
- Multiply the amount of tax shown on line 17 by the result.

Your credit cannot exceed the smaller of: 1) the amount of tax imposed by another government, OR 2) the amount of Michigan tax due on salaries, wages and other personal compensation earned in another state. See example.

EXAMPLE: Computing Michigan resident's credit for tax imposed by a government unit outside Michigan.

Michigan wage	\$18,000.00
Wages earned outside Michigan	12,000.00
U.S. Government bond interest	<u>+ 1,000.00</u>
Adjusted gross income (MI-1040, line 10)	31,000.00
U.S. Government bond interest	<u>- 1,000.00</u>
Total income subject to tax (MI-1040, line 14)	30,000.00
Percent of non-Michigan income to total (\$12,000/\$30,000)	40%
Taxpayer has 2 exemptions (2 x \$2,900.00)	<u>5,800.00</u>
Taxable Income (MI-1040, line 16)	24,200.00
Tax 4.2% (.042) (MI-1040, line 17)	1,016.00
Tax imposed by a government unit outside Michigan.	
Enter this amount on your MI-1040, line 23a	700.00
Credit limit is 40% of 1,016.00.	
Enter this amount on your MI-1040, line 23b	\$ 406.00

Line 24: Michigan Historic Preservation Tax Credit. To claim this credit you must submit **all** of the supporting documentation. For a list of

required forms see the instructions on the back of the 2000 *Historic Preservation Tax Credit* (form 3581).

24a: Enter the amount from your 2000 form 3581, line 10.

24b: Enter the amount from your 2000 form 3581, line 11e.

Line 25: Enter the college tuition and fees credit from Schedule CT, line 4.

Line 28: Use Tax. Check the box that applies to you and enter the appropriate amount on line 28. See use tax information on page 11.

Line 30: Property tax credit information begins on page 17.

Line 31: Farmland preservation credit applies to farmers only.

Line 32: Enter the total **Michigan** tax withheld from all of your W-2 forms. If applicable, include any credit for repayments under the "Claim of Right." See "Repayments of Income Reported in a Prior Year" on page 10.

Line 33: Payments. Enter the total estimated tax paid with your 2000 *Michigan Estimated Individual Income Tax Vouchers* (form MI-1040ES), the amount paid with an *Application for Extension of Time to File Michigan Tax Returns*, and the amount of your 1999 overpayment applied to this year's tax (from 1999 MI-1040, line 39). See **special note** after line 35 instructions.

Line 35: Tax Due. If line 34 is less than line 29, enter the difference. This is the tax you owe with your return. If you owe penalty and interest for late filing, enter these amounts on the appropriate lines.

For penalty and interest rates, see "Penalty and Interest Added for Filing or Paying Late" on page 8. Add penalty and interest to your tax due and enter the total on line 35. If you owe more than \$500 and are required to make estimated payments, see **special note** below. If the balance due is less than \$1, no payment is required, but you must still file your return. See "Pay" address on page 2 of your MI-1040 form.

Special note for people required to file estimates. You may owe penalty and interest for underpayment, late payment or for failing to pay estimates. Use the *Underpayment of Estimated Income Tax* (form MI-2210) to compute penalty and interest. If you do not file an MI-2210, Treasury will

compute your penalty and interest and send you a bill. If you annualize your income, you must complete and attach an MI-2210. If you file form MI-2210, check the box on line 35a and enter the penalty and interest amounts on the lines provided.

Line 38: Your Refund. This includes any tax you overpaid and any credits due you. The state does not refund amounts less than \$1. Mail your return to the "Refund, Credit or Zero Returns" address on page 2 of your MI-1040 form.

DIRECT DEPOSIT

Instead of receiving a check, you may request deposit of your refund directly into your account at a financial institution. Complete the *Direct Deposit of Refund* (form 3174) on page 31 and attach it behind your return. See "Attachments" on page 6.

SIGN YOUR RETURN

Each spouse must sign a joint return. If the preparer is someone other than the taxpayer, he or she must also sign the return and enter the business name and address. Check a box to indicate if Treasury may discuss your return with your preparer.

You must attach all your credit claims and required Michigan and federal schedules (see Table 1, page 8). If you owe tax, enclose your payment, but do not staple it to the return. Checks stapled under the W-2 or to the back of the return may not be seen and may result in improper processing.

Signing a child's return. If a return is prepared for a child who is too young to sign it, a parent or guardian should sign the child's name, then add "by (your name), parent (or guardian) for minor child."

Line-by-Line Instructions for MI-1040 Schedule 1

Part-year and nonresidents, complete Schedule NR (see page 35) before proceeding.

Additions to Income

Line 1: Enter gross interest, dividends, and income from obligations or securities of states and their political

subdivisions other than Michigan. Add this income even if it comes to you through a partnership, S corporation, estate or trust. You may reduce this income by related expenses not allowed as a deduction by Section 265(a)(1) of the IRC.

Line 2: Enter the deduction taken for **self-employment tax** on your federal return and for other taxes on or measured by income, such as your share of city income tax paid by partnerships or S corporations, or your share of the taxes paid by an estate or trust.

Line 3: Use Michigan form **MI-1040D only** if you have capital gains or losses attributable to: 1) an election to use Section 271 treatment for property acquired before October 1, 1967; 2) the sale or exchange of U.S. obligations which cannot be taxed by Michigan; or 3) the sale or exchange of property subject to allocation provisions.

If you reported gains on U.S. 4797 on property acquired before October 1, 1967, adjust the gain on Michigan form **MI-4797**.

Enter gains from the Michigan column of your MI-1040D, line 17, or MI-4797, line 18b. Instructions are with each form.

Line 4: Enter losses from a business or losses from property located in another state which you own as a sole proprietor, a partner in a partnership or as a shareholder in an S corporation. If your business is taxed by both Michigan and another state, the loss must be apportioned. Attach a *Schedule of Apportionment* (form MI-1040H).

Line 5: Enter the net loss from the federal column of your Michigan MI-1040D, line 18 or MI-4797, line 18b.

Line 6: Enter the total of the following (attach a schedule if necessary):

- Add to the extent not included in adjusted gross income the amount of money withdrawn by the taxpayer in the tax year from education savings accounts if the withdrawal was not a qualified withdrawal as provided in the Michigan Education Savings Program Act.
- Amount of net operating loss deduction (NOL carryforward) used

to reduce AGI (see page 10).

- Net loss included in AGI from Michigan gas and oil royalty interest or working interest
- Refund received from a Michigan Education Trust (MET) contract. If you deducted the cost of a MET contract in previous years and received a refund from MET during 2000 because the MET contract was terminated and the beneficiary is not attending an institution of higher education, then enter the smaller of: (a) the refund you received, **OR** (b) the amount of the original MET contract price (including the application and processing fees) which you deducted in previous years.

If you financed your MET contract with a MET-secured loan, deducted the cost of that contract and then defaulted on the loan, enter the amount paid in 2000 by MET to repay the outstanding principal portion of your defaulted loan.

Subtractions From Income

Note: Part-year and nonresidents subtract only the amounts included in income attributable to Michigan (column B of Schedule NR) on all lines except line 11.

Line 8: Enter income from U.S. government obligations (Series EE bonds, Treasury notes, etc.), including income from U.S. government obligations received through a partnership, S corporation or trust. This subtraction must be reduced by interest expense on indebtedness incurred in carrying the obligation and by related expenses used to arrive at AGI.

Investment companies that invest in U.S. obligations are permitted to pass the tax-free exemption of such holdings to their shareholders. The shareholders are treated as owners of a proportionate share of the fund's assets.

If income from U.S. government obligations exceeds \$5,000, attach a copy of your U.S. *Schedule B* listing the amounts received and the issuing agency.

Capital gains from the sale of U.S. government obligations must be adjusted on Michigan form MI-1040D.

Line 9: Enter compensation received for active duty in the U.S. Armed Forces included in AGI. Include military retirement on line 12.

Note: A Michigan resident who receives compensation from the U.S. Public Health Service may not subtract the income as military pay.

Line 10: Enter the gains from the federal column of your Michigan form **MI-1040D, line 17, and MI-4797, line 18b**. Do not enter amounts from your federal forms. See instructions for MI-1040 Schedule 1, line 3.

Line 11: Income Attributable to Another State. Nonresidents and part-year residents, complete Schedule NR. See instructions on page 36. Attach federal schedules.

Business income from an activity that is taxable by Michigan and by another state must be apportioned. Complete and attach form MI-1040H.

Capital gains from the sale of real property located outside of Michigan must be adjusted on Michigan form MI-1040D.

Michigan residents cannot subtract salaries and wages or other compensation earned outside Michigan. However, you may be entitled to a tax credit for tax imposed by governmental units outside Michigan (see page 14).

Residents may subtract:

- Business income derived solely in other states and included in AGI, and
- Net rents and royalties from real property located or used in another state.

Line 12: Qualifying retirement and pension benefits included in your AGI may be subtracted from income. The amount you may subtract depends on the source of the benefit. Qualifying benefits include:

- Pension plans that define eligibility for retirement and set contribution and benefit amounts in advance
- Qualified retirement plans for the self-employed
- Distributions from a 401(k) plan attributable to employer contributions or attributable to employee contributions to the extent they result in matching contributions by the employer
- IRA distributions received after age 59 1/2 or described by Section 72(t)(2)(A)(iv) of the IRC

- Benefits paid to a senior citizen (age 65 or older) from a retirement annuity policy which are paid for life (as opposed to a specified number of years)

- Benefits from any of the previous received as a surviving spouse.

You may subtract **all** pension benefits included in AGI received from the following public sources:

- The State of Michigan
- Michigan local governmental units (e.g., Michigan counties, cities and school districts)
- Tier 1 and 2 railroad retirements
- Federal civil service
- Military retirement from the U.S. Armed Forces.

If all retirement and pension benefits were received from public sources listed above, enter the total of all benefits on line 12.

If all retirement and pension benefits were received from private sources, enter the smaller of:

- The total of all private pensions included in AGI, or
- \$34,920 if you are a single filer, \$69,840 if you are married, filing jointly.

If you received a combination of public and private retirement and pension benefits, follow these steps to compute your deduction:

Step 1: Add all public retirement benefits included in AGI.

Note: If your public retirement benefits are greater than the amounts indicated you are not entitled to claim a subtraction for private pensions.

Step 2: If you are a single filer, deduct the amount in step 1 from \$34,920. If you are married filing jointly, deduct the amount in step 1 from \$69,840.

Step 3: Add all private pensions included in AGI.

Step 4: Determine which is smaller, the amount computed in step 2 or the amount computed in step 3.

Step 5: Add the amount computed in step 1 to the amount determined in step 4 and enter the total on line 12. See Example A on the back of Schedule 1 on page 28.

You may not subtract:

- Amounts received from a deferred compensation plan that lets the employee set the amount to be put aside and does not set retirement age or requirements for years of service. These plans include, but are not limited to plans under Section 457 and distributed under Section 401(k) of the Internal Revenue Code.
- Amounts received before the recipient could retire under the plan provisions, including amounts paid on separation, withdrawal or discontinuance of the plan.
- Amounts received as early retirement incentives, unless the incentives were paid from a pension trust.

Line 13: Senior citizens (age 65 or older) may subtract interest, dividends and capital gains included in AGI. This subtraction is limited to a maximum of \$7,785 on a single return or \$15,570 on a joint return. However, the maximum must be reduced by the pension subtraction. See Example B on the back of Schedule 1 on page 28.

Line 14: Enter only the taxable portion of Social Security benefits included on your U.S. 1040, line 20b, or your U.S. 1040A, line 14b. Do not include your total Social Security benefits.

Line 15: Renaissance zone deduction. To be eligible you must meet all the following requirements:

- Be a permanent resident of a renaissance zone for at least 183 consecutive days.
- Must not be delinquent for any state or local taxes abated by the Renaissance Zone Act.
- Must file an MI-1040 each year.
- Have gross income of not more than \$1 million.

If you were a full-year resident of a renaissance zone you may subtract all income earned or received. Unearned income such as capital gains may have to be prorated. If you lived in the zone at least 183 consecutive days during 2000, you may subtract the portion of income earned while a resident of the zone. If you are a part-year resident of a zone, you must complete and attach a Schedule NR to your MI-1040.

(See "Special Note" on the back of Schedule NR, page 36.) For additional information regarding qualifications for the renaissance zone deduction call 1-800-367-6263 and request the *Renaissance Zone Information for Individuals* brochure (form 3292).

You may also call the Michigan Tele-Help System (1-800-827-4000) and listen to topic #293.

Line 16: You may subtract Michigan state and city income tax refunds and homestead property tax credit refunds that were included in AGI.

Note to farmers: You may subtract (to the extent included in AGI) the amount that your state or city tax refund and homestead property tax credit exceeds the business portion of your homestead property tax credit.

Line 17: For tax years that begin after December 31, 1999, deduct to the extent not deducted in determining adjusted gross income, both of the following:

- The total of all contributions made on and after October 1, 2000 by the taxpayer in the tax year to accounts established through the Michigan Education Savings Program. The deduction may not exceed \$5,000 for a single return or \$10,000 for a joint return per tax year. A deduction is not allowed for contributions to an education savings account if a withdrawal has been made from that account in the current or any previous tax year.
- The amount of a distribution from individual retirement accounts that qualify under section 408 of the internal revenue code if the distribution is used to pay qualified higher education expenses (tuition, books, fees, etc.) at a postsecondary educational institution.

Line 18: Allowable miscellaneous subtractions include:

- Contributions to national or Michigan political parties or candidates. The maximum deduction is \$50 on a single return and \$100 on a joint return.
- Benefits from a discriminatory self-insured medical expense reimbursement plan, to the extent these reimbursements are included in AGI.

- Proceeds and prizes won in State of Michigan regulated bingo, raffle or charity games to the extent included in AGI.
- Amount of salary and wage expense that cannot be deducted on your federal return because you are claiming a work opportunity credit, clinical testing (orphan drug) credit or research credit. Attach a copy of U.S. *Work Opportunity Credit* (form 5884), *Credit for Increasing Research Activities* (form 6765), or *Orphan Drug Credit* (form 8820) to substantiate this subtraction.
- Losses from the disposal of property reported in the Michigan column of Michigan form MI-1040D, line 18, or MI-4797, line 18b.
- Amount used to determine the credit for elderly or totally and permanently disabled from U.S. *Schedule R*, line 19, or U.S. *1040A Schedule 3*, line 19.
- Michigan net operating loss deduction. Attach MI-1045. See page 10.
- Net income included in AGI from Michigan gas and oil royalty interest or working interest.
- If you purchased a Michigan Education Trust (MET) contract during 2000, you may deduct the total contract price (including application and processing fees).
- If you purchased a MET payroll deduction or monthly purchase contract, you may deduct the amount paid on that contract during 2000 (not including fees for late payments or insufficient funds). You should receive an annual statement from MET specifying this amount.
- If you purchased a MET contract between 1988 and 1990 with a MET-secured loan and have not previously deducted the total contract price paid, you may deduct the principal amount paid on the secured loan during 2000.
- Amount of taxable benefits the **purchaser** received and included in AGI during 2000 because the MET contract was terminated to attend a private school or out-of-state school, or the beneficiary (student) did not attend school. The beneficiary cannot claim this subtraction.

You may not subtract:

- Itemized deductions from U.S. *Schedule A*.

- Sick pay, disability benefits and wage continuation benefits paid to you by your employer or by an insurance company under contract with your employer.
- Unemployment benefits included in AGI, except railroad unemployment benefits.
- Distributions from a deferred compensation plan received while a resident of Michigan.
- Lottery winnings. (Exception: installment payments from prizes won on or before December 30, 1988 may be subtracted.)

General Information for Homeowners and Renters About the Homestead Property Tax Credit (MI-1040CR)

Who may claim a property tax credit

You may claim a property tax credit if all of these apply:

- Your homestead is located in Michigan.
- You were a Michigan resident at least six months of 2000.
- You pay property taxes or rent on your Michigan homestead.

You can have only one **homestead** at a time, and you must be the occupant as well as the owner or renter. Your homestead can be a rented apartment, or a mobile home and a lot in a mobile home park. A vacation home or income property is not considered your homestead.

Your homestead is in your state of **domicile**. Domicile is the place where you have your permanent home. It is the place you plan to return to whenever you go away. Even if you spend the winter in a southern state, your domicile is still Michigan. College students and others whose permanent homes are not in Michigan are not Michigan residents. Domicile continues until you establish a new permanent home.

Property tax credit claims may not be submitted on behalf of minor children. Any public assistance benefits paid to a

minor must be included in the household income of the parents when computing their credits.

You may not claim a property tax credit if your household income is over \$82,650. The computed credit is reduced by 10 percent for every \$1,000 (or part of \$1,000) that household income exceeds \$73,650. If filing a part-year return, you must annualize household income to determine if the income limitation applies. See instructions for annualizing on page 22.

Which form to file

Use form MI-1040CR in this book. If you are blind and own your homestead, are in the active military, are an eligible veteran or an eligible veteran's surviving spouse, request form MI-1040CR-2 and complete both forms. **Use the form that gives you a larger credit.** If you are blind and rent your homestead, you cannot use the MI-1040CR-2. Claim your credit on form MI-1040CR and check the appropriate box on line 6.

The request for your Social Security number is authorized under USC Section 42. Social Security numbers are used by the Michigan Department of Treasury to conduct matches against benefit income provided by the Social Security Administration and other sources to verify the accuracy of the home heating credit and property tax credit claims filed and to deter fraudulent filing(s).

When to file

If you do not have to file a Michigan income tax return (form MI-1040), you may file your credit claim as soon as you know your 2000 household income and property taxes levied in 2000. If you file a Michigan income tax return, your credit claim should be attached to your MI-1040 return which is due April 16, 2001.

Amending your claim

Use the MI-1040X form and attach a copy of your corrected credit claim. You must do this within four years of the date set for filing your original income tax return.

Delaying payment of your property taxes

Some senior citizens, disabled people, veterans, surviving spouses of veterans, and farmers may be able to delay paying property taxes. It depends on the county in which you live and your income level. **Contact your local or county treasurer for more information about delaying payment of your property taxes.**

Household income

Household income is the total income (taxable and nontaxable) of both spouses or of a single person maintaining a household. It is your AGI, plus all income exempt or excluded from AGI. See "Married, filing separately" and "Single adults sharing a home" on page 20.

Household income does NOT include:

- Stipends received by an enrolled participant in the foster grandparent or senior companion program pursuant to the Domestic Volunteer Service Act of 1973.
- Energy assistance grants or energy assistance tax credits.
- Government payments to a third party (i.e., a doctor).

Note: If payment is made from money withheld from your benefit, the payment is part of household income. (For example, the Family Independence Agency may pay your rent directly to the landowner.)

- Money received from a government unit to repair or improve your homestead.
- Surplus food.
- State and local income tax refunds and homestead property tax credits.
- Chore service payments. (These payments are income to the provider but not the person receiving the service.)
- The first \$300 from gambling, bingo, lottery, awards or prizes. For example, if you win \$500 in a church raffle, you must include \$200 of this in your household income.
- The first \$300 in gifts, cash or expenses paid on your behalf by a family member or friend.

- Amounts deducted from Social Security or railroad retirement benefits for Medicare premiums.
- Life, health and accident insurance premiums paid by your employer. However, if you pay medical insurance or health maintenance organization (HMO) premiums for you or your family, you may deduct the cost from household income.

Property taxes that can be claimed for credit

Ad valorem property taxes that were levied on your homestead in 2000, including collection fees up to 1 percent of the taxes, can be claimed no matter when you pay them. You may add to your 2000 taxes the amount of property taxes billed in 2000 from a corrected or supplemental tax bill. You must deduct from your 2000 property taxes any refund of property taxes received in 2000 that was a result of a corrected tax bill from a previous year.

Do not include:

- Delinquent property taxes (e.g., 1999 property taxes paid in 2000)
- Penalty and interest on late payments of property tax
- Delinquent water or sewer bills
- Property taxes on cottages or second homes
- Special assessments (for drains, sewers, etc.) that are not based on taxable value or are not applied to the entire taxing jurisdiction.

Home used for business. If you use part of your home for business, you may claim the property taxes on the living area of your homestead, but not the property taxes on the portion used for business. This applies whether or not you claim the property taxes on a federal business schedule.

Owner-occupied duplexes. When both units are equal, you are limited to 50 percent of the tax on both units. This is true even if 20 percent of the rent paid on the rental is less than 50 percent of the property taxes.

Owner-occupied income property. This section applies to apartment building owners who live in one of the units and to single family home-owners who rent a room(s) to a tenant(s). Owners must do two calculations to figure the tax that can be claimed and base their credit on the **lower** amount. The first calculation subtracts 20

percent of the rent collected from the tax eligible for credit. The second calculation reduces the tax eligible for credit by the amount of tax claimed as a business deduction on your U.S. 1040.

For example, your home has an upstairs apartment that is rented to a tenant for \$395 a month.

Total property taxes on your home are \$2,150. The calculations are as follows:

- Step 1:** $\$395 \times 12 = \$4,740$ annual rent
 $\$4,740 \times .20 = \948 taxes attributable to the apartment
 $\$2,150$ total taxes - $\$948 =$
 $\$1,202$ taxes attributable to owner's homestead
- Step 2:** $\$2,150$ total taxes - $\$858$ taxes claimed as a business deduction = $\$1,292$ taxes attributable to homestead

The owner's taxes that can be claimed for credit are \$1,202, the smaller of the two computations.

Farmers. You may include farmland taxes in your property tax credit claim if any of the following conditions apply:

- If your gross receipts from farming are greater than your household income, you may claim all of your farmland taxes including taxes on unoccupied farmland. Do not include taxes on farmland that is not adjacent or contiguous to your home and that you rent or lease to another person.
- If gross receipts from farming are less than your household income and you have lived in your home more than 10 years, you may claim the taxes on your home and the farmland adjacent and contiguous to your home.
- If gross receipts from farming are less than your household income and you have lived in your home less than 10 years, you may claim the taxes on your home and five acres of farmland adjacent and contiguous to your home.

You may not claim rent paid for vacant farmland when computing your property tax credit claim.

Include any farmland preservation tax credit in your household income. Enter the amount of credit you received in 2000 on line 18 or include it in net farm income on line 16.

Homestead property tax credits are not included in household income. If you included this amount in your taxable farm income, you may subtract it from household income.

Rent that can be claimed for credit

Twenty percent of rent paid is considered property tax that can be claimed for credit, except as explained below. See "ALTERNATE PROPERTY TAX CREDIT FOR RENTERS AGE 65 OR OLDER" on page 22.

If you live in housing on which **service fees** are paid instead of taxes, 10 percent of your rent can be claimed for credit. If the landowner says your tax share is less than 10 percent, use the amount the landowner gives you.

If your housing is **exempt** from property tax and no service fee is paid, you are not eligible for credit. This includes university or college-owned housing.

If your **housing costs are subsidized**, base your claim on the amount you pay. Do not include the federal subsidy amount.

Mobile home park residents, claim the \$3 per month specific tax on line 8, plus 20 percent of the balance of rent paid on line 9.

If you are a **cooperative housing corporation resident member**, claim your share of the property taxes on the building. If you are one of the few who lives in a cooperative where residents pay rent on the land where the building sets, residents may also claim 20 percent of that land rent. (Do not take 20 percent of your total monthly payment.)

When you pay **room and board in one fee**, the landowner should be able to exclude the board portion of your payment and tell you the amount that goes toward your room. You may claim 20 percent of your room rent as taxes.

You may also determine your tax that can be claimed for credit based on square footage. For example, you pay \$750 a month for room and board. You occupy 600 square feet of a 62,000 square foot apartment building. The landowner pays \$54,000 in taxes per year.

Step 1: $600/62,000 = .0097$

Step 2: $\$54,000 \times .0097 = \524 taxes you can claim for credit.

Special Situations

If you moved in 2000

Residents who lived temporarily outside Michigan may qualify for a credit as long as Michigan remained their state of domicile. However, personal belongings and furnishings must have remained in the Michigan homestead AND the homestead must not have been rented or sublet during the temporary absence. (See the definitions of resident on page 9 and domicile on page 17.)

If you bought or sold your home, you must prorate your taxes. Complete form MI-1040CR, lines 36-42, to determine the taxes that can be claimed for credit. Use only the taxes levied in 2000 on each Michigan homestead, then prorate taxes based on days of occupancy. Do not include taxes on out-of-state property.

If you married during 2000, combine each spouse's share of taxes or rent for the period of time he or she lived in separate homesteads. Then add the prorated share of taxes or rent for the time you lived together in your marital home. This only applies to homes located in Michigan and to couples who married during 2000.

Part-year residents who lived in Michigan at least six months during the year may be entitled to a partial credit. If you are a part-year resident, you must include all income received as a Michigan resident in household income (line 29). Complete MI-1040CR, lines 36-42, to determine the taxes to claim for credit on your Michigan homestead.

Residents of nursing homes and other adult care homes

If you are a resident of a nursing home, adult foster care home or home for the aged, that facility is considered your homestead. If the facility pays local property taxes (many do not), you may claim your portion of those taxes for credit. You may not claim rent. Ask the manager what your share is. If you would rather figure it yourself, divide the amount of property tax levied on the facility in 2000 by the number of residents the facility is licensed for. This is your share. If both you and your spouse live in the facility, add your shares together. If you lived in the facility only part of the year, multiply this amount by the portion of the year you lived at the facility.

(Exception: Credit is not allowed if your facility care charges are paid directly to the facility by a government agency.)

If you maintain a homestead and your spouse lives in an adult care home, you may file a joint credit claim. Combine the tax for your homestead and your spouse's share of the facility's property tax to compute your claim.

If you are single and maintain a homestead (that is not rented to someone else) while living in an adult care home, you may claim either your homestead or your share of the facility's property tax, but not both. Use the one that gives you the larger credit.

Deceased claimant's credit

The estate of a taxpayer who died in 2000 (or 2001 before filing a claim) may be entitled to a credit for 2000. The surviving spouse or personal representative can claim this credit.

The surviving spouse may file a joint claim with the deceased. Enter both names and Social Security numbers on the form, and write "deceased" or "DECD" after the decedent's name. Sign the return and write "Filing as a surviving spouse" and the decedent's date of death in the decedent's signature block. Include the decedent's income in household income.

The personal representative must prorate taxes to the date of death. Complete lines 38-42 of the MI-1040CR, to help prorate the property taxes. Annualize household income. See instructions for lines 30 and 35 on page 22. Attach a copy of the tax bills or rent receipts. Also submit a copy of U.S. 1310 or an MI-1310.

Enter on line 1 of the decedent's claim the names of the decedent and personal representative in the following order:

Joe Lane, Estate of
Mary Jones, Rep.

Use the decedent's Social Security number and the personal representative's address. Enter the date of death in the signature block.

If you are separated and file a joint return with your spouse, your claim must be based on the tax or rent for 12 months on only one home. The household income must be the com-

bined income of both you and your spouse for the entire year.

If you file separate federal and state returns and maintain separate homesteads, you may each claim a credit. Each credit is based on the individual taxes or rent and individual income for each person.

If you separated or divorced in 2000, figure your credit based on the taxes you paid together before your separation plus whatever taxes you paid individually after your separation. Attach a schedule showing your computation. The brochure *Homestead Property Tax Credit for Separated or Divorced Taxpayers* (form C-4354) contains a worksheet to help you compute your credit.

For example, Bob and Susan separated on October 2, 2000. The annual taxes on the home they owned were \$1,860. Susan continued to live in the home, and Bob moved to an apartment on October 2 and paid \$350 per month rent for the rest of the year. Susan earned \$20,000 and Bob earned \$25,000. They lived together for 275 days.

Step 1: Determine the prorated income for each spouse for the 275 days they lived together. Divide each spouse's total income by 366 days then multiply that figure by 275.

Susan $(\$20,000/366) \times 275 = \$15,027$
Bob $(\$25,000/366) \times 275 = \$18,784$

Step 2: Add both prorated incomes together to determine the total income for the time they lived together.

$\$15,027 + \$18,784 = \$33,811$

Step 3: Divide each individual's prorated share of income by the total income from step 2 to determine the percentage of income attributable to each.

Susan $\$15,027/\$33,811 = 44\%$
Bob $\$18,784/\$33,811 = 56\%$

Step 4: Determine the prorated taxes eligible for credit for the time they lived together. Divide the \$1,860 by 366 days then multiply by 275 days.

$(\$1,860/366) \times 275 = \$1,398$

Step 5: Determine each individual's share of the prorated taxes. Multiply the \$1,398 by the percentages determined in step 3.

Susan $\$1,398 \times 44\% = \615
Bob $\$1,398 \times 56\% = \783

Enter these amounts on your MI-1040CR, line 41, column A.

Susan uses lines 38-41, column B, to determine her share of taxes for the remaining 91 days.

Bob uses lines 43-44 to determine his share of rent. Each completes the remaining lines of the MI-1040CR according to the line-by-line instructions.

Married, filing separately

Spouses who file separate Michigan income tax returns and share a household are entitled to only one property tax credit. Complete your property tax credit claim jointly and include income from both spouses in household income. You may then divide the credit as you wish. If each spouse claims a portion of the credit, attach a copy of the claim showing each spouse's share of the credit to each income tax return. Enter only your portion of the credit on MI-1040, line 30.

Single adults sharing a home

When two or more single people share a home, each may file a credit claim if each has contracted to pay rent or owns a share of the home. Each should file an individual claim based on his or her household income and prorated share of taxes or rent paid.

Line-by-Line Instructions for Form MI-1040CR

Lines not listed are explained on the form.

IDENTIFICATION

Lines 1, 2 and 3: If you are filing this form with an income tax return (MI-1040), you do not need to enter your address on this form, but you must enter your name(s) and Social Security number(s). If you are married, filing separate claims, enter both Social Security numbers, but do not enter your spouse's name.

Line 5: If you and your spouse had a different residency status, check the box that applies to each spouse.

Line 6: Check the box(es) that apply to you or your spouse.

a) Age 65 or older. Check this box if you or your spouse is a senior citizen. You are a senior citizen if you were age 65 by December 31, 2000.

b) Unremarried surviving spouse. Check this box if you are the unremarried spouse of a person who was age 65 or older at the time of death. You are considered age 65 the day before your 65th birthday.

c) Paraplegic, quadriplegic, or hemiplegic. Check this box if you or your spouse was paraplegic, quadriplegic or hemiplegic as of December 31, 2000.

d) Totally and permanently disabled. Check this box if you or your spouse were totally and permanently disabled as of December 31, 2000 (as defined under Social Security Guidelines 42 USC 416).

e) Blind/Deaf. Check this box if you or your spouse are blind or deaf (see page 12, line 9f instructions).

PROPERTY TAX AND HOUSEHOLD INCOME

Include all taxable and nontaxable income you and your spouse received as Michigan residents in 2000. If your family lived in Michigan while one spouse earned wages outside Michigan, include the income earned out of state in your household income. (See "Household income" and "Property taxes that can be claimed for credit" on page 18.)

Line 7: If you own your homestead, enter the 2000 taxable value from your 2000 property tax statement. If you do not know your taxable value, ask your local treasurer. Farmers should include the taxable value on all land that qualifies for this credit.

Line 8: Read "Property taxes that can be claimed for credit" on page 18 before you complete this line.

Line 12: Enter all compensation received as an employee. Include strike pay, supplemental unemployment benefits (SUB pay), deferred compensation received, sick pay or long-term disability benefits, including income protection insurance.

Line 14: Enter the sum of the amounts from the following U.S. forms: *Schedule C* (business income or loss); *4797* (other gain or loss); and *Schedule E* (rents, royalties, partnerships, S corporations, estates and trusts).

Include amounts from sources outside Michigan. **Attach these schedules to your claim.**

Line 15: Enter all annuity, pension and IRA benefits and the name of the payer. This should be the taxable amount shown on your U.S. *1099-R*. If no taxable amount is shown on your U.S. *1099-R*, use the amount required to be included in federal AGI. Enter zero if all of your distribution is from your contributions made with income previously included in adjusted gross income. The amount you are reporting should include reimbursement payments such as an increase in a pension to pay for Medicare charges. Also include the total amount of any lump sum distribution including amounts reported on your U.S. *4972*.

Line 16: Enter the amount from U.S. *Schedule F* (farm income or loss). Attach *Schedule F*.

Line 17: Enter all capital gains. This is the total of short- and long-term gains, less short- and long-term losses from your U.S. *Schedule 1040D*, line 17 (for gains) or line 18 (for losses). Include gains realized on the sale of your residence regardless of your age or whether or not these gains are exempt from federal income tax.

Line 18: Enter alimony received and describe any other taxable income.

This includes:

- Awards, prizes, lottery, bingo and other gambling winnings over \$300 (see "Household income" on pg. 18)
- Farmland preservation tax credits, if not included in farm income on line 16.

Line 19: Enter your Social Security, Supplemental Security Income (SSI) and Railroad Retirement benefits. Include death benefits and amounts received for minor children or other dependent adults who live with you. Report the amount actually received. Do **not** include the amount deducted for Medicare.

Line 20: Enter child support received. Also enter all payments received as a foster parent. **Note:** If you received a *2000 Child Support Annual Statement* showing child support payments paid to the Friend of the Court, enter the child support portion here and attach a copy of the statement. Also see line 24.

Line 22: Enter other nontaxable income. This includes:

- Compensation for damages to character or for personal injury or sickness;
- An inheritance (exclude an inheritance from your spouse);
- Proceeds of a life insurance policy paid on the death of the insured (exclude benefits from a policy on your spouse);
- Death benefits paid by or on behalf of an employer;
- The value over \$300 in gifts of cash, merchandise or expenses paid on your behalf (rent, taxes, utilities, food, medical care, etc.) from parents, relatives or friends;
- Minister's housing allowance;
- Amounts paid directly to you as a scholarship, stipend, grant or GI bill benefits; and
- Reimbursement from dependent care and/or medical care spending accounts.

Also include payments made on your behalf except government payments made directly to an educational institution or subsidized housing project.

Line 23: Enter workers' compensation benefits received, service-connected disability compensation benefits and pension benefits received from the Veterans Administration. Veterans receiving retirement benefits should enter their benefits on line 15.

Line 24: Enter the total payments made to your household by the Family Independence Agency (FIA) and all other public assistance payments. Your *2000 Annual Statement(s)* mailed by FIA in January 2001 will show your total FIA payments. Your statement(s) may include the following: Family Independence Program assistance (FIP), State Disability Assistance (SDA), State Family Assistance (SFA), Refugee Assistance, Repatriate Assistance and vendor payments for shelter, heat and utilities. **Note:** If you received a *2000 Child Support Annual Statement*, subtract the amount of child support payments entered on line 20 from the total FIA payments and enter the difference here.

Line 26: Enter total adjustments from your U.S. 1040, line 32, or U.S. 1040A, line 18. Describe any adjustments to income.

These adjustments reduce household income:

- Payments to an individual retirement account (IRA); Keogh (HR 10), SEP, or SIMPLE plans
- Student loan interest deduction
- Medical savings account deduction
- Moving expenses
- Deduction for self-employment tax
- Self-employed health insurance deduction
- Forfeited interest penalty for premature withdrawal
- Alimony paid

Also enter the amount of a net operating loss (NOL) deduction.

Note: A deduction for a carryback or carryforward of an NOL cannot exceed federal modified taxable income. Attach your *Application for Net Operating Loss Refund* (form MI-1045).

Line 27: Enter medical insurance or HMO premiums you paid for yourself and your family (NOT MEDICARE). Include medical insurance premiums paid through payroll deduction. Include the portion of auto insurance paid for medical coverage. Do not include insurance premiums deducted on line 26 or amounts paid for income protection insurance.

PROPERTY TAX CREDIT

Line 30: Multiply line 29 by 3.5 percent (.035) or the percentage from

Table 3 below. **This is the amount that is not refundable.** The personal representative claiming a credit for a deceased taxpayer with household income of \$6,000 or less must annualize the decedent's income and use the annualized figure to determine the nonrefundable percentage from Table 3 on this page. Then use the actual household income to compute the credit. See instructions for annualizing on this page.

Line 35: Taxpayers with household income over \$82,650 (line 29) are not eligible for credit in any category. The computed credit is reduced by 10 percent for every \$1,000 (or part of \$1,000) that your household income exceeds \$73,650. If you are filing a part-year return (for a deceased taxpayer or a part-year resident), you must annualize the household income to determine if the credit reduction applies. If the annualized income is more than \$73,650, use actual household income to compute the credit; then reduce the credit 10 percent for every \$1,000 (or part of \$1,000) that your annualized income exceeds \$73,650. The surviving spouse filing a joint claim does not have to annualize the deceased spouse's income.

To annualize income (project what it would have been for a full year):

Step 1: Divide 366 by the number of days the claimant lived or was a Michigan resident in 2000.

Step 2: Multiply the answer from step 1 by the claimant's household income (line 29). The result is annualized income.

RENTERS

See "Rent that can be claimed for credit" on page 19.

Line 43: If you rented a Michigan homestead subject to local property taxes, enter the street number and name, city, landowner's name and address, number of months rented, rent paid per month and total rent paid. Do this for each Michigan homestead rented during 2000. If you need more space, attach an additional sheet. Do not include more than 12 months' rent. Do not include amounts paid directly to the landowner on your behalf by a government agency, unless payment is made with money withheld from your benefit.

CREDIT PRORATION

If you received Family Independence Program assistance (FIP) or other FIA benefits in 2000, your credit must be prorated to reflect the ratio of income from other sources to total household income.

ALTERNATE PROPERTY TAX CREDIT FOR RENTERS AGE 65 OR OLDER

Line 55: Enter the rent paid from line 44 or, if you live in service fee housing, line 46. If you moved from one rental homestead to another during the last two years, enter here the smaller of:

- The final month's rent on your previous rented homestead multiplied by 12, **OR**
- The actual rent paid from line 44 or 46.

TABLE 3: PERCENT OF TAXES NOT REFUNDABLE

	<u>Income</u>	<u>% of Income</u>
All General Claimants	\$0 - \$82,650	3.5%
Other Claimants*	\$3,000 or less	0%
	\$3,001 - \$4,000	1%
	\$4,001 - \$5,000	2%
	\$5,001 - \$6,000	3%
	More than \$6,000	3.5%

*Other claimants are senior citizens or people who are paraplegic, hemiplegic, quadriplegic, blind, deaf, or totally and permanently disabled or unremarried spouse of an individual 65 or older.

EXAMPLE A: Computing pension deduction.

John and Karen Jones file jointly and received the following income during the 2000 tax year:

Michigan Public School Retirement System	\$12,000
Military Retirement Pay	\$ 8,000
General Motors Retirement Program	\$20,000
IRA Distribution	\$ 4,000

John and Karen are allowed to deduct the entire amount of pension income they receive from public/military retirement systems in determining Michigan taxable income. However, the maximum allowable private pension deduction must be reduced by the amount of public/military pension income claimed as a deduction.

Determining the private pension deduction:

Step 1: Add all public and military retirement benefits together. $\$12,000 + \$8,000 = \$20,000$

Step 2: Deduct the amount calculated in step 1 from \$69,840
(use \$34,920 if a single filer). $\$69,840 - \$20,000 = \$49,840$

Step 3: Combine the total amount of private pension income including IRAs. $\$20,000 + \$4,000 = \$24,000$

Step 4: Determine which is smaller: the amount computed in step 2 or step 3.
The \$24,000 from step 3 is smaller and is the allowable private pension deduction.

Step 5: Determine the total pension deduction by adding the amounts computed in step 1 and step 4.

Total public and military pension income	\$20,000
Total allowable private pension deduction	<u>24,000</u>
Total 2000 pension deduction. Enter on MI-1040 Schedule 1, line 12	\$44,000

EXAMPLE B: Senior Citizen Interest, Dividend, Capital Gains Deduction

Joe and Susan are both 67 and file jointly. They received the following income during the tax year 2000:

Capital Gains	\$10,000
Pension	\$ 2,000
Social Security	\$ 4,800
Dividends	\$ 500
Interest	\$ 2,000

They may deduct the \$2,000 pension on their MI-1040 and the senior citizen interest, dividend and capital gains income as shown in steps 1 through 3 below.

Determining the interest, dividend and capital gains deduction:

Step 1: Add all capital gains, dividends and interest income:

Capital Gains	\$10,000
Dividends	500
Interest	<u>2,000</u>
Total	\$12,500

Step 2: Subtract pension from the maximum capital gains, dividends and interest deduction of \$15,570 for joint filers (\$7,785 for single filers).

Maximum Deduction Amount	\$ 15,570
Less Pension Subtraction	<u>(2,000)</u>
Total	\$ 13,570

Step 3: Total interest, dividend and capital gains deduction is the smaller of the calculation from step 1 or step 2; \$12,500 is the allowable deduction. Enter this amount on MI-1040 Schedule 1, line 13.

EXAMPLE A: Computing pension deduction.

John and Karen Jones file jointly and received the following income during the 2000 tax year:

Michigan Public School Retirement System	\$12,000
Military Retirement Pay	\$ 8,000
General Motors Retirement Program	\$20,000
IRA Distribution	\$ 4,000

John and Karen are allowed to deduct the entire amount of pension income they receive from public/military retirement systems in determining Michigan taxable income. However, the maximum allowable private pension deduction must be reduced by the amount of public/military pension income claimed as a deduction.

Determining the private pension deduction:

Step 1: Add all public and military retirement benefits together. $\$12,000 + \$8,000 = \$20,000$

Step 2: Deduct the amount calculated in step 1 from \$69,840
(use \$34,920 if a single filer). $\$69,840 - \$20,000 = \$49,840$

Step 3: Combine the total amount of private pension income including IRAs. $\$20,000 + \$4,000 = \$24,000$

Step 4: Determine which is smaller: the amount computed in step 2 or step 3.
The \$24,000 from step 3 is smaller and is the allowable private pension deduction.

Step 5: Determine the total pension deduction by adding the amounts computed in step 1 and step 4.

Total public and military pension income	\$20,000
Total allowable private pension deduction	<u>24,000</u>
Total 2000 pension deduction. Enter on MI-1040 Schedule 1, line 12.....	\$44,000

EXAMPLE B: Senior Citizen Interest, Dividend, Capital Gains Deduction

Joe and Susan are both 67 and file jointly. They received the following income during the tax year 2000:

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Pension	\$ 2,000
Social Security	\$ 4,800
Dividends	\$ 500
Interest	\$ 2,000

They may deduct the \$2,000 pension on their MI-1040 and the senior citizen interest, dividend and capital gains income as shown in steps 1 through 3 below.

Determining the interest, dividend and capital gains deduction:

Step 1: Add all capital gains, dividends and interest income:

Capital Gains	\$10,000
Dividends	500
Interest	<u>2,000</u>
Total	\$12,500

Step 2: Subtract pension from the maximum capital gains, dividends and interest deduction of \$15,570 for joint filers (\$7,785 for single filers).

Maximum Deduction Amount	\$ 15,570
Less Pension Subtraction	<u>(2,000)</u>
Total	\$ 13,570

Step 3: Total interest, dividend and capital gains deduction is the smaller of the calculation from step 1 or step 2; \$12,500 is the allowable deduction. Enter this amount on MI-1040 Schedule 1, line 13.

When to File a Single Business Tax Return

Single Business Tax (SBT) is a tax on business activity conducted in Michigan. You (individuals) are required to file a single business tax return **IF** you have business activity in Michigan and your adjusted gross receipts are \$250,000 or greater for the 2000 tax year. Business activity is indicated if:

- You are self-employed and/or have to pay self-employment tax with your federal income tax return, **OR**
- You file a U.S. *Schedule C*, **OR**
- You include rental property on a U.S. *Schedule E*, **OR**
- Your earnings are reported to you on form *1099 MISC* rather than a *W-2* form.

If you are required to file SBT and need an instruction booklet, call 1-800-FORM-2-ME (367-6263) and we will mail a booklet to you.

If you have general questions about SBT, call the Single Business Tax Division at 517-373-8030, or visit Treasury's Web site at: www.treasury.state.mi.us

Unclaimed Property

The Michigan Department of Treasury is holding millions of dollars in abandoned and unclaimed property belonging to Michigan residents. To check if the Treasury Department is holding funds for you or your family, visit our Web site at www.treasury.state.mi.us

Annual State Park Permits

You may purchase a State Park Motor Vehicle Permit (MVP) for \$20.00 by mailing your check made payable to "State of Michigan" to the Parks and Recreation Bureau, Department of Natural Resources, P.O. Box 30257, Lansing, MI 48909. MVPs may also be purchased at any of the 96 state park locations in Michigan as well as any DNR license outlet. You may use your credit card to purchase a permit by phone from a state park during regular state park hours, or from the Parks and Recreation Bureau in Lansing (517-373-9900). All proceeds from the sale of permits are used for the operation and improvement of Michigan state parks.

For more information, visit the DNR Web site at: www.dnr.state.mi.us

Nongame Fish and Wildlife Fund

Since 1985, taxpayers have contributed to the Nongame Fish and Wildlife Fund by checking the box next to the "loon" on the Michigan State Income Tax Return. Tax donations provided the major funding source for the management of Michigan's endangered animals, plants, and their unique habitats. Your generous contributions helped schools create outdoor learning sites and funded the printing and distribution of over 2 million educational wildlife posters. Bald eagles, ospreys, loons, frogs and toads, orchids and wolves were also helped. You can continue to help these precious resources through a private donation. Please make checks payable to State of Michigan Nongame Fish and Wildlife Fund and mail it to: Natural Heritage Program, Michigan Department of Natural Resources, P.O. Box 30180, Lansing, MI 48909. For more information, visit our Web site: www.dnr.state.mi.us.

Children's Trust Fund

The Children's Trust Fund wishes to thank Michigan citizens who have helped us nurture and protect Michigan's children. Although we are no longer a check-off on the income tax form, we are still very involved in the fight against child abuse and fund local community-based prevention programs. We still accept direct donations that are federally deductible in the tax year given. Also, look for our new children's license plate, available April 2001. Direct donations (checks or credit card) may be sent to: Children's Trust Fund, P.O. Box 30037, Lansing, Michigan 48909.

Certified Community Foundations and Component Funds

A component fund serves donors and nonprofit organizations in a specific geographic area as a restricted fund of a neighboring community foundation. The following are certified for the Community Foundations Credit for 2000.

01 Albion Community Foundation	Ionia County Community Foundation
51 Alger Regional Community Foundation	Sparta Community Foundation
56 Allegan County Community Foundation	Wyoming Community Foundation
63 Anchor Bay Community Foundation	46 Grand Traverse Regional Community Foundation
02 Ann Arbor Area Community Foundation	Otsego Community Foundation
49 Baraga County Community Foundation	48 Gratiot County Community Foundation
58 Barry Community Foundation	18 Greater Frankenmuth Area Community Foundation
17 Battle Creek Community Foundation	37 Greenville Area Community Foundation
Athens Area Community Foundation	Montcalm Panhandle Community Fund
Homer Area Community Foundation	43 Hillsdale County Community Foundation
03 Bay Area Community Foundation	60 Huron County Community Foundation
04 Berrien Community Foundation, Inc.	21 Jackson County Community Foundation
45 Branch County Community Foundation	22 Kalamazoo Community Foundation
Colon Community Foundation Fund	Greater South Haven Area Foundation Fund
36 Cadillac Area Community Foundation	67 Keewanau Community Foundation
Missaukee County Community Foundation	23 Leelanau Township Foundation
64 Canton Community Foundation	55 Livonia Community Foundation
06 Capital Region Community Foundation	25 M & M Area Community Foundation
Eaton County Community Foundation	65 Mackinac Island Community Foundation
66 Central Montcalm Community Foundation	24 Manistee County Foundation
44 Charlevoix County Community Foundation	39 Marquette Community Foundation
41 Community Foundation for Delta County	Greater Ishpeming Area Community Foundation
28 Community Foundation for Muskegon County	Negaunee Area Community Foundation
Oceana County Community Foundation	26 Marshall Community Foundation
Ludington Area Foundation	05 Michigan Gateway Community Foundation
29 Community Foundation for Northeast Michigan	27 Midland Area Community Foundation
North Central Michigan Community Foundation	42 Mt. Pleasant Area Community Foundation
Straits Area Community Foundation	Clare County Community Fund
09 Community Foundation of Southeastern Michigan	68 Northville Township Centennial Foundation
Community Foundation for Livingston County	47 Petoskey-Harbor Springs Area Community Foundation
Chelsea Community Foundation	30 Saginaw Community Foundation
10 Community Foundation of Greater Flint	61 Sanilac County Community Foundation
Clio Area Community Fund	70 Sault Area Community Foundation
Fenton Community Fund	53 Schoolcraft County Community Foundation
Grand Blanc Community Foundation	71 Shelby Community Foundation
Lapeer County Community Fund	31 Shiawassee Community Foundation
19 Community Foundation of Greater Rochester	57 Southfield Community Foundation
11 Community Foundation of Monroe County	74 Sterling Heights Community Foundation
The Bedford Foundation	40 Sturgis Area Community Foundation
35 Community Foundation of St. Clair County	Constantine Area Community Fund
20 Community Foundation of the Holland/Zeeland Area	62 Tecumseh Community Fund Foundation
50 Dickinson County Area Community Foundation	32 Three Rivers Area Foundation
Norway Affiliate Fund	72 Troy Community Foundation
13 Four County Community Foundation	73 Tuscola County Community Foundation
14 Fremont Area Foundation	54 Upper Peninsula Community Foundation Alliance
Lake County Community Foundation	Bois Blanc Island Community Foundation
Mecosta County Community Foundation	Forest Park Area Community Fund
Osceola County Community Foundation	Gogebic County Area Community Foundation
15 Grand Haven Area Community Foundation	Les Chenaux Area Community Fund
Allendale Community Foundation	Paradise Area Community Fund
Coopersville Area Foundation	St. Ignace Area Community Foundation
16 Grand Rapids Community Foundation	Watersmeet Area Community Fund
Hudsonville Community Foundation	West Iron County Area Community Fund

School District Code List (See MI-1040, MI-1040CR or MI-1040EZ, line 4.)

Michigan public school districts are listed alphabetically with code numbers to the **left** of the names. When more than one district has the same name, the city name in parentheses helps you choose the right district.

Residents, choose the code for the district where you lived on December 31, 2000. Call your local assessor or treasurer if you do not know your school district name.

Nonresidents, enter "10000" in the code box.

31020 Adams Twp.	29040 Breckenridge	25140 Davison	26040 Gladwin
46020 Addison	22030 Breitung Twp.	82030 Dearborn	45010 Glen Lake
46010 Adrian	73180 Bridgeport-Spaulding	82040 Dearborn Heights (7)	80110 Gobles
58020 Airport	11340 Bridgman	80050 Decatur	41120 Godfrey Lee
79010 Akron Fairgrove	47010 Brighton	76090 Deckerville	41020 Godwin Heights
05010 Alba	17140 Brimley	46070 Deerfield	25050 Goodrich
13010 Albion	46050 Britton Macon	08010 Delton-Kellogg	25030 Grand Blanc
01010 Alcona	12020 Bronson	17050 Detour	70010 Grand Haven
74030 Algonac	76060 Brown City	82010 Detroit	23060 Grand Ledge
03030 Allegan	11310 Buchanan	19010 DeWitt	41010 Grand Rapids
82020 Allen Park	28035 Buckley	81050 Dexter	41130 Grandville
70040 Allendale	73080 Buena Vista	31100 Dollar Bay-Tamarack City	62050 Grant
29010 Alma	56020 Bullock Creek	14020 Dowagiac Union	42030 Grant Twp.
44020 Almont	75020 Burr Oak	44050 Dryden	38050 Grass Lake
04010 Alpena	02020 Burt Twp.	58050 Dundee	59070 Greenville
50040 Anchor Bay	78020 Byron	78030 Durand	82300 Grosse Ile Twp.
81010 Ann Arbor	41040 Byron Center		82055 Grosse Pointe
06010 Arenac Eastern		74050 East China	39065 Gull Lake
50050 Armada	83010 Cadillac	50020 East Detroit	52040 Gwinn
07010 Arvon Twp.	41050 Caledonia	41090 East Grand Rapids	
29020 Ashley	31030 Calumet	38090 East Jackson	11670 Hagar Twp. (6)
13050 Athens	30010 Camden Frontier	15060 East Jordan	35020 Hale
25130 Atherton	74040 Capac	33010 East Lansing	03100 Hamilton
60010 Atlanta	25080 Carman-Ainsworth	34340 Easton Twp. (6)	82060 Hamtramck
06020 Au Gres Sims	55010 Carney Nadeau	23050 Eaton Rapids	31010 Hancock
02010 AuTrain-Onota	79020 Caro	11250 Eau Claire	38100 Hanover Horton
63070 Avondale	73030 Carrollton	82250 Ecorse	32060 Harbor Beach
	59020 Carson City Crystal	14030 Edwardsburg	24020 Harbor Springs
32010 Bad Axe	76070 Carsonville-Pt. Sanilac	05060 Elk Rapids	13070 Harper Creek
43040 Baldwin	32030 Caseville	32050 Elkton Pigeon Bayport	82320 Harper Woods
80020 Bangor	79030 Cass City	05065 Ellsworth	18060 Harrison
80240 Bangor Twp. (8)	14010 Cassopolis	31070 Elm River Twp.	64040 Hart
(Bangor)	41070 Cedar Springs	49055 Engadine	80120 Hartford
09030 Bangor Twp.	50010 Centerline	21010 Escanaba	47060 Hartland
(Bay City)	05035 Central Lake	09050 Essexville Hampton	33060 Haslett
07020 Baraga Twp.	59125 Central Montcalm	67020 Ewart	08030 Hastings
21090 Bark River Harris	75030 Centreville	66045 Ewen-Trout Creek	63130 Hazel Park
19100 Bath	15050 Charlevoix	40060 Excelsior (1)	73210 Hemlock
13020 Battle Creek	23030 Charlotte		62060 Hesperia
09010 Bay City	31050 Chassell Twp.	68030 Fairview	82070 Highland Park
37040 Beal City	16015 Cheboygan	63200 Farmington	60020 Hillman
51020 Bear Lake	81040 Chelsea	18020 Farwell	30020 Hillsdale
15010 Beaver Island	73110 Chesaning Union	03050 Fennville	70020 Holland
26010 Beaverton	54025 Chippewa Hills	25100 Fenton	63210 Holly Area
58030 Bedford	50080 Chippewa Valley	63020 Ferndale	33070 Holt
25240 Beecher	32040 Church	50090 Fitzgerald	61120 Holton
34080 Belding	18010 Clare	82180 Flat Rock	13080 Homer
05040 Bellaire	63090 Clarenceville	25010 Flint	03070 Hopkins
23010 Bellevue	63190 Clarkston	25120 Flushing	72020 Houghton Lake
25060 Bendle	63270 Clawson	40020 Forest Area	31110 Houghton-Portage
25230 Bentley	39020 Climax Scotts	41110 Forest Hills	47070 Howell
11010 Benton Harbor	46060 Clinton	36015 Forest Park	46080 Hudson
10015 Benzie County Central	50070 Clintondale	19070 Fowler	70190 Hudsonville
63050 Berkley	25150 Clio	47030 Fowlerville	82340 Huron
34140 Berlin Twp. (3)	12010 Coldwater	73190 Frankenmuth	63220 Huron Valley
11240 Berrien Springs	56030 Coleman	10025 Frankfort-Elberta	
27010 Bessemer City	32260 Colfax Twp. (1F)	50100 Fraser	58070 Ida
21065 Big Bay De Noc	11330 Coloma	73200 Freeland	44060 Imlay City
62470 Big Jackson	75040 Colon	53030 Freesoil	82080 Inkster
54010 Big Rapids	38040 Columbia	62040 Fremont	16050 Inland Lakes
73170 Birch Run	39030 Comstock	61080 Fruitport	34010 Ionia
63010 Birmingham	41080 Comstock Park	29050 Fulton	34360 Ionia Twp. (2)
46040 Blissfield	38080 Concord		22010 Iron Mountain
63080 Bloomfield Hills	75050 Constantine	39050 Galesburg Augusta	27020 Ironwood
32250 Bloomfield Twp. (7F)	70120 Coopersville	11160 Galien Twp.	52180 Ishpeming
(Huron Co.)	78100 Corunna	03440 Ganges (4)	29060 Ithaca
80090 Bloomingdale	80040 Covert	82050 Garden City	
49020 Bois Blanc Pines	20015 Crawford AuSable	69020 Gaylord	38170 Jackson
15020 Boyne City	82230 Crestwood	25070 Genesee	58080 Jefferson Schools-Monroe Co.
15030 Boyne Falls	76080 Crosswell Lexington	72010 Gerrish Higgins	70175 Jenison
63180 Brandon		82290 Gibraltar	69030 Johannesburg-Lewiston
11210 Brandywine	33040 Dansville	21025 Gladstone	

30030	Jonesville	38120	Michigan Center	71060	Posen	13135	Union City
39010	Kalamazoo	21135	Mid Peninsula	23090	Pottersville	79145	Unionville Sebewaing
51045	Kaleva Norman-Dickson	56010	Midland	52100	Powell Twp.	50210	Utica
40040	Kalkaska	81100	Milan				
25110	Kearsley	79100	Millington	12040	Quincy	82430	Van Buren
41140	Kelloggsville	68010	Mio Au Sable			50220	Van Dyke
41145	Kenowa Hills	61060	Mona Shores	21060	Rapid River	69040	Vanderbilt
41150	Kent City	58010	Monroe	61210	Ravenna	38020	Vandercook Lake
41160	Kentwood	59045	Montabella	30070	Reading	79150	Vassar
28090	Kingsley	61180	Montague	82110	Redford Union	32650	Verona Twp. (1F)
79080	Kingston	25260	Montrose	67060	Reed City	59150	Vestaburg
		49070	Moran Twp.	79110	Reese	39170	Vicksburg
50140	L'Anse Creuse	46100	Morenci	61220	Reeths Puffer		
07040	L'Anse Area	54040	Morley Stanwood	52110	Republic Michigamme	27070	Wakefield Twp.
78040	Laingsburg	78060	Morrice	50180	Richmond	30080	Waldron
57020	Lake City	50160	Mt. Clemens	82120	River Rouge	64090	Walkerville
25200	Lake Fenton	25040	Mt. Morris	11033	River Valley	63290	Walled Lake
31130	Lake Linden Hubbell	37010	Mt. Pleasant	82400	Riverview	50230	Warren
63230	Lake Orion	02070	Munising	63260	Rochester	50240	Warren Woods
50120	Lakeshore (St. Clair Shores)	61010	Muskegon	41210	Rockford	63300	Waterford
		61020	Muskegon Heights	71080	Rogers City Area	27080	Watersmeet Twp.
				50190	Romeo	11320	Watervliet
11030	Lakeshore (Stevensville, Berrien Co.)	38130	Napoleon	82130	Romulus	33215	Waverly
59090	Lakeview (Lakeview)	52090	Negaunee	50030	Roseville	03040	Wayland Union
13090	Lakeview (Battle Creek)	11200	New Buffalo	23590	Roxand Twp. (12)	82160	Wayne-Westland
50130	Lakeview (St. Clair Shores)	50170	New Haven	63040	Royal Oak	33220	Webberville
25280	Lakeville	78070	New Lothrop	17110	Rudyard	52160	Wells Twp.
34090	Lakewood	62070	Newaygo			63160	West Bloomfield
63280	Lamphere	52015	Nice (Ishpeming) N.I.C.E.	73010	Saginaw City	65045	West Branch-Rose City
33020	Lansing	11300	Niles	73040	Saginaw Twp.	36025	West Iron County
44010	Lapeer	30050	North Adams - Jerome	81120	Saline	70070	West Ottawa
80130	Lawrence	44090	North Branch	46130	Sand Creek	38010	Western
80140	Lawton	55115	North Central	76210	Sandusky	82240	Westwood
45020	Leland	22045	North Dickinson Co.	34120	Saranac	25210	Westwood Heights
49040	Les Cheneaux	32080	North Huron	03080	Saugatuck	62090	White Cloud
33100	Leslie	61230	North Muskegon	17010	Sault Ste. Marie	75070	White Pigeon
81070	Lincoln	45040	Northport	39160	Schoolcraft (Kalamazoo Co.)	66070	White Pine
82090	Lincoln Park	41025	Northview	64080	Shelby	17160	Whitefish
25250	Linden	82390	Northville	37060	Shepherd	58110	Whiteford
30040	Litchfield	38140	Northwest	32610	Sigel Twp.-Adams (3) (Bad Axe)	61240	Whitehall
24030	Littlefield	22025	Norway Vulcan	32620	Sigel Twp. (4)	81140	Whitmore Lake
82095	Livonia	75100	Nottawa	32630	Sigel Twp. (6)	35040	Whittemore Prescott
41170	Lowell	63100	Novi	11830	Sodus Twp. (5)	33230	Williamston
53040	Ludington	63250	Oak Park	80010	South Haven	81150	Willow Run
		61065	Oakridge	50200	South Lake	16100	Wolverine
49110	Mackinac Island	33170	Okemos	63240	South Lyon	82365	Woodhaven
16070	Mackinaw City	23080	Olivet	82140	South Redford	82170	Wyandotte
46090	Madison (Adrian)	71050	Onaway	63060	Southfield	41026	Wyoming
63140	Madison (Madison Hts.)	23490	Oneida Twp. (3)	82405	Southgate		
05070	Mancelona	51060	Onkama	41240	Sparta	74130	Yale
81080	Manchester	46110	Onsted	70300	Spring Lake	81020	Ypsilanti
51070	Manistee	66050	Ontonagon	38150	Springport		
77010	Manistique	61190	Orchard View	73240	St. Charles	70350	Zeeland
83060	Manton	35010	Oscoda	49010	St. Ignace City		
23065	Maple Valley	03020	Otsego	19140	St. Johns		
14050	Marcellus	19120	Ovid Elsie	11020	St. Joseph		
27060	Marenisco	32090	Owendale Gagetown	29100	St. Louis		
67050	Marion	78110	Owosso	06050	Standish - Sterling		
13095	Mar Lee	63110	Oxford	31140	Stanton Twp.		
76140	Marlette			55120	Stephenson		
52170	Marquette City	34040	Palo	33200	Stockbridge		
13110	Marshall	39130	Parchment	75010	Sturgis		
03060	Martin	80160	Paw Paw	58100	Summerfield		
74100	Marysville	76180	Peck	02080	Superior Central		
33130	Mason	24040	Pellston	45050	Suttons Bay		
58090	Mason (Erie)	13120	Pennfield	73255	Swan Valley		
53010	Mason County Central (Scottville)	64070	Pentwater	25180	Swartz Creek		
53020	Mason County Eastern (Custer)	78080	Perry				
80150	Mattawan	24070	Petoskey	48040	Tahquamenon		
79090	Mayville	19125	Pewamo-Westphalia	35030	Tawas		
57030	McBain	17090	Pickford	82150	Taylor		
82045	Melvindale Allen Park	47080	Pinckney	46140	Tecumseh		
74120	Memphis	09090	Pinconning	13130	Tekonsha		
75060	Mendon	67055	Pine River	08050	Thornapple-Kellogg		
55100	Menominee	30060	Pittsford	75080	Three Rivers		
56050	Meridian	03010	Plainwell	28010	Traverse City		
73230	Merrill	63030	Pontiac	82155	Trenton		
83070	Mesick	32130	Port Hope	59080	Tri County (Howard City)		
		74010	Port Huron	63150	Troy		
		39140	Portage				
		34110	Portland	32170	Ubyly		

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Review this label. If the information is correct, place the label on your tax return. **If any information is incorrect, do not use this label.** Write the correct information on the return. If you use a tax preparer, take this book to your preparer and ask him or her to use this label. Using this label will help shorten the processing time of your return.

Financial Information for Fiscal Year 1999

This information is intended to give you an overview and broad perspective of the state's financial operations. These figures were derived from the latest *Michigan Comprehensive Annual Financial Report* for the fiscal year ended September 30, 1999.

State Revenues and Financing Sources

(Millions of Dollars)

<u>Financing Source</u>	<u>Amount</u>	<u>%</u>
Sales and Use Taxes	\$7,184.8	30.0%
Income Tax	6,907.9	28.8%
Other Revenue & Taxes	2,859.1	11.9%
Single Business & Insur. Taxes	2,560.0	10.7%
Motor Vehicle & Fuel Taxes	1,809.2	7.6%
State Education Tax	1,273.5	5.3%
Tobacco & Liquor Taxes	740.0	3.1%
Lottery Profits	629.5	2.6%
Total	<u>\$23,964.0</u>	<u>100.0%</u>

State Expenditures and Financing Uses

(Millions of Dollars)

<u>Financing Use</u>	<u>Amount</u>	<u>%</u>
Education	\$11,708.3	48.9%
Health	2,654.7	11.1%
Transportation	2,048.6	8.5%
Law Enforcement & Public Safety	1,830.8	7.6%
Revenue Sharing to Local Governments	1,410.4	5.9%
Human Services	1,252.5	5.2%
General Government	1,175.0	4.9%
Other	1,050.0	4.4%
Economic Dev. & Environmental Reg.	833.7	3.5%
Total	<u>\$23,964.0</u>	<u>100.0%</u>



Electronic Filing

Easy, Convenient and Free

See page 2 for details.



Direct Deposit

Convenient, Safe and Reliable

See page 31 for details.

Use Tax on Internet, Mail Order and Out-of-State Purchases

Do You Owe Use Tax?

See page 3 and 11 for more information.